

Takasbank

2014 Annual Report



Designing
the future
with strategic
planning

Contents

General Overview

Message from the Chairman	4
Message from the CEO	8
Corporate Profile	12
) Vision and Mission	12
) Values	12
History	14
Milestones	15
Services	18
Business Service Projects	20
) NASDAQ Project	20
) Establishment of the Business Continuity Management System	23
) International Settlement and Custody Project	26
) Takasbank-Connected Real Estate Trading-Mortgage System Project	27
) LEI Project	27
) Turkey Electronic Fund Trading Platform (TEFAS) Enhancement Project	28
) Enterprise Resource Planning (ERP) Project	29
) Private Pension Custody System Development Project	29
Information Technologies (IT) Projects	31
Business Continuity	32
) Establishment of the Business Continuity Infrastructure	32
) Transferring to Borsa İstanbul Data Center	32
) ADM Router Renovation Project	33
Performance Improvement	34
) Load Balancer Project	34
) Wan Optimizer Project	35
Information Security Management System	36
) ISO 27001 Project	36
Monitoring	38
) Takasbank Private Cloud Infrastructure Configuration Project	38
) Web Proxy, URL Filtering and DLP Project	38
) Security Incident & Event Management (SIEM) System Renovation Project	39
Management Systems	40
) Integrated Management System Launch	40
) ISYSWin Application Launch	40
) Agile Application Development Transformation & Use of TFS	40
Capital and Shareholding Structure	41
) Changes in the Capital and Shareholding Structure	41
) Titles of Real or Legal Persons Holding Qualifying Shares	42
) Titles of Real or Legal Persons Holding More Than 10% of the Capital	42
) Information on Shares Held in the Bank by the Chairman and Board Members, CEO and the Executive Vice Presidents	43
) Amendments to the Articles of Association	43
2014 Developments Related to Financial Markets and Takasbank	44
) The Global Economic Outlook	44
) Effect of Fluctuations	45
Takasbank in International Markets	48
) Relations with International Capital Markets	48
) International Memberships	50
) Representation Practices Regarding International Standards	52
Representation and Presentation	54
Financial Highlights	56
) Key Indicators	56
) Summarized Financial Information	57

Corporate Governance

Human Resources Practices	60
Organization Chart	62
Board of Directors	64
) Information on the Attendance of Board Meetings	67
Summary Report of the Board of Directors	68
Senior Management	72
) Executive Management	72
) Heads of Internal System Departments	74
) Directors	76
) Managers	77
Committees and Attendance at Committee Meetings	80
) Audit Committee	80
) Credit Committee	80
) Corporate Governance Committee	81
) Strategic Coordination Committee	82
) Asset-Liability Committee	82
) Information Technologies Committee	83
Transactions Executed with the Risk Group to which the Bank Belongs	84
Corporate Governance Compliance Opinion	85
Corporate Governance Principles Compliance Report	86

2014 Activities

Central Counterparty	104
) Financial Analysis Service	105
Market Operation and Cash Credit	107
) Securities Lending Market (SLM)	107
) Takasbank Money Market (TMM)	110
) Turkey Electronic Fund Trading Platform (TEFTP) and Fund Information Portal	112
) Cash Credit	113
Clearing, Settlement and Custody	115
) Clearing and Settlement Services	115
) Custody Services	119
Other Services	127
) Collateral Management Services	127
) Asset Transfer	129
) Numbering Service	133
) Member Information Management Service	135
) Data Vendors Service	136
) Collateral Agency Services for Mortgage Financing Firms	136
) Capital Requirements Collateral Safekeeping Service	137
) Repo-Reverse Repo Transactions and Monitoring and Reporting Service	137

Financial Information and Risk Management

Evaluation of Financial Situation, Profitability and Solvency	140
Evaluation of the Audit Committee	141
Independent Auditor's Report	144
Risk Management Policies for Certain Risk Categories	238
) Pillar 1 Risk Management	239
) Pillar 2 Risk Management	243
) Ratings Assigned by International Credit Rating Agencies	244
Five-Year Summary of Financial Data	245

General Overview



Message from the Chairman

Despite the global developments adversely affecting the developing economies, Turkey sustained its steady growth in 2014. Although the growth rate fell slightly behind the target, Turkey continued its growth and achieved a remarkable success that Europe admires enviously.



Dear Shareholders,

2014 was left behind as a year where the concerns about global economic growth reached ominous levels. Expectations of global growth were revised downwards several times during the year and significant differences between the economic performances of the countries became prominent.

In 2014, the most important positive development in terms of global outlook was the partial recovery seen in the United States. In the aftermath of the increase in the U.S. economic growth from 2.2 percent in 2013 to 2.4 percent in 2014 and the improvement achieved in the labor market, US Federal Reserve (FED) suspended its monetary expansion policy in October.

2014 was a year with a hectic political and economic agenda and full of uncertainties, where severe fluctuations were witnessed in the financial markets.

Subsequent to these developments, increased expectations that FED may raise interest rates led to an appreciation in the U.S. Dollar and escalated the risk perception towards the emerging countries including Turkey. Against these concerns, FED announced that it will keep interest rates low for a "considerable time" and provided comfort to the markets.

With regard to the Eurozone, worries over the economic outlook are increasing with each passing day. Weak pace of the economic activity in Europe and deflation constitute a serious threat for the economic growth as well as for the labor market. In 2014, European Central Bank (ECB) initiated negative deposit interest rate practice to alleviate the recession pains and pushed the button for additional monetary policy measures. It was announced that the bond purchases started by the ECB will be continued until the inflation targets are achieved in the Euro Zone.

Another country being adversely affected by the global recession in 2014 was Japan. Failed to bring momentum to its economy despite all measures taken by the government, Japan's economy contracted in 2014 and fell into recession. As for China, which has been the locomotive of global economy for many years, demonstrated the weakest economic performance of the last 24 years by 7.4 percent growth in 2014.

2014 was a year with a hectic political and economic agenda and full of uncertainties, where severe fluctuations were witnessed in the financial markets and several high-performed indexes of 2013 witnessed sharp declines. For instance, DAX index only achieved 2.65% increase in 2014; a much smaller growth compared to its gain of more than 25% in 2013. The indexes rendering the highest return in the year were Argentina's Merval by 59.14% and Shanghai index by 52.87%. In 2014, BIST 100, on the other hand, was the 7th exchange among 93 stock indexes worldwide with the highest increase in local currency terms.

Turkey, which has turned the crisis of 2007-2008 into an opportunity and passed the test successfully during the course of the crisis, sustained its steady growth in 2014 despite the global developments adversely affecting the developing economies. Although the growth rate fell slightly behind the target, Turkey continued its growth and achieved a remarkable success that Europe admires enviously.

In 2014, the growth achieved in exports played a critical role for Turkey in displaying a successful performance. Turkey increased its exports by 4 percent compared with the previous year and realized an export-based growth accordingly. The positive effects of the dramatic drop in the oil prices during the year started to be observed on both the inflation and the current account deficit.

The current profile of the global economy signifies that the effect of volatility that left its mark on 2014 will also prevail to a certain extent in 2015. FED's rate hike, dropping

Being one of the critical actors of the great transition drive in the capital markets, Takasbank successfully fulfilled the role on its part in 2014 for the sustainability of steady operation and development of the capital markets.

oil and commodity prices, recession in the European and Japanese economies and the status of emerging countries will continue to be the determinant factors in 2015. Nevertheless, the adaptable dynamism of Turkey even to the hardest conditions, its steady structure, strong banking infrastructure, and the fact that it is one of the best among the emerging market economies in terms of public finance outlook; strengthen our belief that our country will demonstrate a successful performance in 2015 as well.

Dear Shareholders,

Takasbank carries out its activities in line with the vision to provide banking and centralized risk management services at reliable, efficient, innovative and international quality standards. Being one of the critical actors of the great transition drive in the capital markets, Takasbank successfully fulfilled the role on its part in 2014 for the sustainability of steady operation and development of the capital markets.

In line with the objective of strengthening its corporate infrastructure, Takasbank took breakthrough steps in 2014 to improve its technological infrastructure which would facilitate the delivery of its services in a more robust, efficient and uninterrupted manner. The strategic partnership signed by our Bank's majority shareholder Borsa İstanbul at the end of 2013 with NASDAQ OMX, one of the world's leading exchanges, is of great importance in that respect. This cooperation, which would enable Borsa İstanbul to be transformed into a capital markets center on an international scale in its region with the technological contributions to be provided by NASDAQ, imposes great responsibilities on Takasbank.

In this context, our business and technology departments carried out software development practices in a coordinated manner with Borsa İstanbul and NASDAQ teams. The outcomes of these practices will be received upon renovation of the equities market clearing systems in 2015 and of the debt securities and derivatives markets clearing systems in 2016.

Two other important developments of 2014 for Takasbank were the certification of the international compliance of the Bank's Information Security Management System and its Business Continuity Management System as a result of the audits conducted by the independent audit institutions and the granting of ISO/IEC 27001 and ISO 22301 certificates respectively. Takasbank Business Continuity Automation Tool, developed entirely in-house to enable the Business Continuity Management System processes to be conducted in a centralized and automated structure, was also introduced in the last period of 2014.

As is known, during the great transition process which started with the new Capital Markets Law, prominent structural changes were accomplished to enable the

The strategic partnership signed by Borsa İstanbul with NASDAQ OMX, being one of the world's leading exchanges, at the end of 2013, also imposes important responsibilities on Takasbank.

Our most important strength in achieving our targets will be, as usual, our people who are our most precious asset.

collective investment schemes to a structure compatible with the EU acquis. The new law dictates the establishment of mutual funds by the portfolio management companies and the separation of custodian and the administrator from each other by concrete lines, and defines the rights and duties of each institution explicitly. The "Portfolio Custody Service" infrastructure requested by the sector from Takasbank in accordance with this critical change was prepared as a result of a year-long practice and put into service in 2014 within the framework of Capital Markets Board

Takasbank is one of the major actors of İstanbul International Finance Center Project which assumes a critical role for Turkish economy in achieving its 2023 targets. Thus, Takasbank seriously addresses the responsibilities on its part for the establishment of an infrastructure that would facilitate the integration of our markets with the international finance network as well as for the development of corporate competence, and builds all its business plans on this vision.

Having the competency and structure capable of undertaking the central counterparty function on a global scale, which would exceedingly satisfy the international criteria expected from the clearing and settlement institutions, is perceived as one of the prioritized objectives by our Bank. In achieving this target, our most important strength will be, as usual, our people who are our most precious asset.

I would like to take this opportunity to extend my gratitude on behalf of our Board of Directors and myself to all our stakeholders, in particular to our employees and managers, who are the guarantee of our future plans and have contributed to the successful performance of our Bank in 2014.

Yours sincerely,

**M. İbrahim Turhan, PhD
Chairman**



Message from the CEO

Undertaking an important role in the attempts to attain a more stable and sustainable structure for Turkish capital markets in the last years, Takasbank gained greater momentum in the service-level competition with the steps it took in 2014 and expanded its future vision.



Dear Shareholders,

Diversifying its service range with the restructuring and infrastructure development projects it had accomplished and undertaking an important role in the attempts to attain a more stable and sustainable structure for Turkish capital markets in the last years, Takasbank gained greater momentum in the service-level competition with the steps it took in 2014 and expanded its future vision.

Throughout 2014, our Bank continued to provide efficient and effective services for the capital markets as well as our stakeholders and customers. In this context, Takasbank being a "Central Counterparty" in the Securities Lending Market last year, undertook the same function in Borsa İstanbul Futures and Options Market as of 2014. Accordingly, practices for the establishment of a Risk Management and

In line with its strategic objective of "providing efficient, uninterrupted, cost-effective and reliable service at international standards", our Bank was granted ISO 22301 - Business Continuity Standard Certification.

Monitoring System which would enable to manage and monitor risks in both over-the-counter and organized markets also continued during the course of 2014.

Also, practices initiated in the last quarter of 2013 to update the business continuity plans were also completed in 2014. Our Bank's Business Continuity Management System was audited by an independent audit institution, and in line with its strategic objective of "providing efficient, uninterrupted, cost-effective and reliable service at international standards", our Bank was granted ISO 22301 - Business Continuity Standard Certification.

One of our other management system certificated in 2014 was the Information Security Management System. Within the framework of the project initiated for the certification of the Information Security Management System used in our Bank, studies are carried out to ensure the security of data used in the business processes, manage the associated risks and raise the employees' Information Security Management System awareness. As the result of these studies, the compliance of the current system with the international standards was certified by the independent audit institution and our Bank was granted ISO 27001 - Information Security Management System Standard Certification.

Portfolio Custody Service occupies a special place among the novelties of the previous operating period. Further to the Capital Markets Law and the relevant legal regulations, our Bank has decided to provide Portfolio Custody Service in 2013. Subsequent to the completion of the necessary infrastructure development practices, our related application was received affirmatively by the CMB on 24 July 2014, and effective from the said date, our Bank became able to perform the portfolio custody transactions of all collective investment schemes under the scope of the communiqué.

In 2014, a protocol was signed between Takasbank and the General Directorate of Land Registry and Cadastre to enable Takasbank to take part in the real-estate purchase-sell transactions as a reliable and equitable institution, and the development practices were started for the execution of the trading transactions over a web-based system.

2014 was also a fruitful year for Takasbank in terms of its activities towards the development of its international relations.

2014 was also a fruitful year for Takasbank in terms of its activities towards the development of its international relations. Within this context, our Bank's membership to the European Association of Central Counterparty Clearing Houses, which has 20 members from 15 different European countries, was approved as of 7 October 2014. Takasbank participated in various events abroad throughout the year and had the opportunity to promote its services and appraised different cooperation opportunities.

Furthermore, in line with the vision of becoming a preferred settlement and custody institution of choice in the international markets, the infrastructure practices that have been initiated to offer settlement and custody services to the domestic financial institutions in the international markets and to the overseas-based investors in both domestic and international markets were also continued in 2014. With the launching

As a year full of novelties, Takasbank left 2014 behind successfully in terms of the financial results as well and generated pre-tax profit of 150,547 thousand Turkish Liras.

of the International Settlement and Custody System in two phases, access to more than 65 markets was achieved globally.

Several projects were put into effect at Takasbank during the course of 2014 to improve business processes and make them more efficient through automation. One of the major steps taken accordingly was the "Agile Transformation Program" being initiated with the aim of introducing a modern approach to the Information Technologies (IT) activities. This project, which aims the software and the systems used in Takasbank operations to be developed and implemented in accordance with the coordinated and scheduled practices to be jointly carried out by the IT and relevant business units, was successfully introduced in 2014 by the establishment of the necessary infrastructure and giving the necessary trainings to the employees. Through this project, the process relating to the prioritization of the business requests, making and reporting resource planning, etc. started to be carried out under a specific system in a computerized environment.

As a year full of novelties, Takasbank left 2014 behind successfully in terms of the financial results as well. In 2014, our Bank generated pre-tax profit of 150,547 thousand Turkish Liras. When compared with the same period of 2013, this figure represents an increase of approximately 49%. Our net interest income increased by 53% and our banking service income increased by 24% compared with the previous year. As of 2014, our total asset size reached 5,495,623 thousand Turkish Liras.

In 2014, a total trading volume of 872.72 billion TL was achieved in Borsa İstanbul Equity Market and Emerging Companies Market, and after the netting procedure, cash settlement of 60.16 billion TL (6.89%) and securities settlement with a market value of 185.18 billion TL (21.22%) were executed.

In Borsa İstanbul Debt Securities Market Outright Purchases-Sales and Repo-Reverse Repo markets, a total volume of 7,645.04 billion TL trading, of which 15.51 billion TL belongs to the corporate bonds, was executed in 2014. As a result of the multilateral netting process, Takasbank executed cash settlement with a value of 1,036.03 billion TL (13.55% of the total exchange trading volume) and securities settlement with the market value of 4,668.86 billion TL (61.07% of the total exchange trading volume).

In 2014, total number of members in Borsa İstanbul Futures and Options Market where we undertook the Central Counterparty function was 79 and the number of open accounts was 94,430. As of 2014, the number of open interest reached to 388,529 and market value recorded as 2,345.44 million TL respectively, and the trading volume was achieved as 430,091.43 million TL.

As of 2014 year-end, the number of accounts involving private pension funds held with the private pension companies increased by 1,122,792 compared with the previous year and reached to 5,689,411, and the fund size held by the private pension fund participants increased approximately by 11.5 billion TL and reached

With the new projects it accomplished, the initiatives it took towards improving the service quality, the cooperation it achieved both domestically and internationally and the importance it attaches to human resources, Takasbank keeps raising the bar every year a little more in accordance with the 2023 objectives of Turkey.

37.8 billion TL. One more private pension company has started its operations during the course of 2014, and as of 31 December 2014, 19 pension companies hold 246 private pension funds at Takasbank.

In 2014, a total number of 81 institutions - 65 of which are brokerage houses, 10 deposit banks and 6 development & investment banks - traded in Takasbank Money Market (TMM). Total trading volume had its peak value since the inception date of the market and reached 234.76 billion TL, and the average transaction volume increased to 1.68 million TL.

In the Securities Lending Market (SLM), the average number of daily orders increased by 61% from 272 to 437, whereas, the average number of daily contracts increased by 91% from 92 to 176. The trading volume rose by 107% compared with the previous year's figure of 3.04 billion TL and reached 6.29 billion TL, and the number of shares subject to the lending transaction increased by 121% to 1.23 billion TL.

In the Electricity Market comprising of 853 participants where we serve as the central settlement bank since December 2011, a total amount of 26,547.89 million TL clearing transactions were executed in the Day-Ahead Market and of 20,544.59 million TL in the Balancing Market during 2014.

In 2014, the average market value of the capital market instruments safe-kept under international custody rose in a steady manner and reached 2.5 billion Euro, and the average custody balance increased by 60% compared with the average balance of the previous year. During the course of 2014, the clearing of 5.3 billion Euro worth of transactions was executed, and an average monthly clearing volume of 440 million Euro was recorded.

With the new projects it accomplished, the initiatives it took towards improving the service quality, the cooperation it achieved both domestically and internationally and the importance it attaches to human resources, Takasbank keeps raising the bar every year a little more in accordance with the 2023 objectives of Turkey. After a successful year, Takasbank now started a new operating period where it focuses on higher goals. I fully believe that, as usual, we will achieve these goals with the devoted efforts of our employees as well as the support and the trust of the investors and our customers.

Yours sincerely,

Murat Ulus
CEO and Board Member

Takasbank Money Market trading volume had its peak value since the inception date of the market and reached 234.76 billion TL.

Corporate Profile

Vision

"To be a trustworthy, effective and innovative institution which provides clearing & settlement, banking and central risk management services at global quality standards, preferred both in domestic and international markets."

Mission

"Contributing to the development of markets with reliable and effective post-trade services."

Values

Trust

Adhering to the principle of trustworthiness in Takasbank's relations with its customers, shareholders, stakeholders and employees; executing services in a timely and accurate manner according to providence of clear, accurate and correct information within the concept of mutual trust.

Stability

As an important infrastructure institution of capital markets providing efficient clearing, settlement and custody services, Takasbank contributes to the financial stability both in organized and over-the-counter markets in Turkey.

Customer Orientation

Generating solutions contributing to enhance the effectiveness of the financial system in clearing, settlement, custody and other related banking services as well as to the development of markets; developing projects within the framework of current and future needs of customers comprising of intermediary institutions, exchanges and other capital market institutions and working with customers and related institutions in a continuous cooperation, solidarity and coordination environment.

Effectiveness

Generation of the most appropriate, accurate and cost-effective solutions for Takasbank services within the scope of sector and market needs by capitalizing on professional expertise and corporate memory at the utmost level.

Robust Financial Structure

Keeping the financial assets of Takasbank at the level necessary to encompass the risks undertaken and to cover the commitments given to the markets and settlement members, within the framework of the target to launch central counterparty mechanism at the capital markets through effective clearing, settlement and custody services.

Transparency

Disclosing the necessary notices and announcements to both public and the related parties in an accurate and timely manner, acceptance of the responsibilities and accountability requirements as well as being ready and open to public audit by Takasbank.

Sustainability

Mitigating risk with continuous improvement approach and adopting innovative and creative solutions by observing the efficiency of the markets to which the service is rendered.

History

In Turkey, clearing and settlement transactions of the securities (the actions to be taken regarding payments to be made and delivery of securities in capital markets) were executed among the parties without intermediation during the period 1986-1988.

Between 1988-1992, the clearing, settlement and custody transactions were executed by a department within the İstanbul Stock Exchange (ISE) and then in 1992 transferred and entrusted to ISE Settlement and Custody Inc., a company founded as a partnership between the ISE and its members. Increasing both the diversity and the range of its services by acquiring investment banking license in 1996, Takasbank founded the Central Registry Agency (CRA) in 2005 in cooperation with ISE for the dematerialization and custody transactions of on-exchange securities.

Upon the legal entity name change of the bank's major shareholder from "İstanbul Stock Exchange (ISE)" to "Borsa İstanbul Inc. (BIAS)", the legal entity name of Takasbank "ISE Settlement and Custody Bank Inc." was changed to "İstanbul Settlement and Custody Bank Inc.-Takasbank" as of 11 April 2013.

Being the only central clearing & settlement institution of our country, Takasbank was designated as the central counterparty institution of Turkey pursuant to the "Central Counterparty Regulation" published by the Capital Markets Board on 14 August 2013.

Milestones

- > **2014**
 - Securities Lending Market Guarantee Fund was established.
 - "Central Counterparty" service to Borsa İstanbul Futures and Options Market started to be provided.
 - ISO 27001 Information Security Management System Certificate was granted.
 - Portfolio Custody Service began to be provided.
 - ISO 22301 Business Continuity Management System Certificate was granted.
 - Became a member of the European Association of Central Counterparty Clearing Houses (EACH).
 - Clearing and collateral management services began to be provided for the USD/TL option contracts (16 May 2014), mini (1 g) gold futures contracts (16 June 2014), mini BIST 30 Index option contracts formed in a manner that the contract size would represent 1 unit (19 September 2014) and SASX-10 Stock Index futures contracts comprising of 10 shares traded in Takasbank's subsidiary Sarajevo Stock Exchange (15 December 2014).
 - Agile Transformation Program was completed in Takasbank Application Development Department and Business Units and Scrum was started to be implemented in the Application Development Department.

- > **2013**
 - Title was changed to "İstanbul -Settlement and Custody Bank Inc.-Takasbank".
 - Authorized by the Capital Markets Board as the Central Counterparty and started to provide Central Counterparty services firstly to Takasbank Securities Lending Market.
 - Started to provide clearing and settlement services to the cotton electronic product certificates (EPC) that became newly operational.
 - Authorized as the Pre-Local Operating Unit (Pre-LOU) for allocation of Legal Entity Identifier (LEI) Code by the Regulatory Oversight Committee (ROC) under sponsorship of CMB.
 - Started to provide cash settlement and collateral transactions services for İstanbul Gold Exchange transactions.
 - Participants of the private pension system were allowed to have access to Takasbank via e-government application.
 - Completion and operation of the "Oracle Transformation Project" involved with a very comprehensive change in the Information Technologies infrastructure of Takasbank together with change in the entire Database Management System.
 - Takasbank Information Technologies planned and started to be used in a tripartite structure, namely, actual environment, business continuity and emergency center.

- **2012**

 - Takasbank began to provide clearing, settlement, collateral management and risk management services to Borsa İstanbul Futures and Options Market.
 - Takasbank logo and corporate identity were changed in such a way to reflect in the best way the confidence and future oriented targets as the basic values of the Bank.
 - Takasbank was commissioned by İstanbul Gold Exchange as the clearing service provider under the project for consolidation of the exchanges under a single roof to provide service via a common clearing and electronic platform.
- **2011**

 - Takasbank was authorized by CMB as FOREX Trade Repository (TR) institution.
 - Turkey Electronic Fund Distribution Platform (TEFAS) founded by Takasbank and CRA began its operations.
 - Collateral agency service started to be provided for mortgage financing firms.
 - Cash settlement and collateral management service as Central Settlement Bank began to be provided to the Turkish Electricity Market.
- **2007**

 - Real time gross settlement Delivery versus Payment (RTGS DvP) system has been integrated with SWIFT.
- **2006**

 - Clearing and settlement services started to be provided for corporate bond transactions.
- **2005**

 - Central Registry Agency (CRA) started its operations.
 - Takasbank Securities Lending Market started its operations.
 - Clearing settlement and collateral management services began to be provided for Turkish Derivatives Exchange (TURKDEX).
- **2003**

 - Custody services began to be provided to the Private Pension System.

- **2001**

 - CRA (Central Registry Agency Inc.), was founded under the leadership of ISE (Borsa İstanbul) and Takasbank.
 - Real time gross settlement Delivery versus Payment (RTGS DvP) system has been established.
 - Clearing and settlement services began to be for the foreign currency based contracts traded in the Futures Market established within ISE.
- **1997**

 - TETS (Takasbank Electronic Transfer System) has begun to operate.
 - Eurobond clearing and settlement operations began with the securities account being opened with Euroclear Bank.
- **1996**

 - ISE Clearing and Custody Bank, Inc. was founded upon receiving an investment bank license.
 - Cash credit service started to be provided.
 - Takasbank Money Market commenced its operations.
- **1995**

 - Takasbank was authorized by the CMB as the National Numbering Agency.
 - Became a member of the Association of National Numbering Agencies (ANNA).
 - Became a member of the International Securities Services Association (ISSA).
- **1992**

 - ISE Settlement and Custody Inc. was established.

Services

Market Operation Services

- Securities Lending Market (SLM) Service
- Takasbank Money Market (TMM) Service
- Turkey Electronic Fund Trading Platform (TEFAS)

Cash Credit Service

Central Counterparty Service

- Financial Analysis Service

Clearing & Settlement Services

- Debt Securities Market Clearing & Settlement Service
- Equities and Equity-like Instruments Clearing & Settlement Service
- Derivatives Market Clearing & Settlement Service
- Electricity Market Clearing & Settlement Service
- Precious Metals and Diamond Markets Clearing & Settlement Service
- Electronic Warehouse Receipts (EWR) Clearing & Settlement Service

Custody Services

- Information Service for Private Pension Fund Unit Shares
- Administration Service for Private Pension Fund Unit Shares
- Debt Securities Corporate Action Service
- Physical Custody Service
- Global Custody Service
- Book-Entry Custody Service
- Share Certificates Corporate Action Service
- Local Custody Service
- Precious Metals Custody Service
- Portfolio Custody Service

Collateral Management Services

- Debt Securities Collateral Monitoring (BIAS) Operations
- Electricity Market Collateral Management Service
- Guarantee Fund Collateral Management Service
- Leveraged Trading Transactions Collateral Management and CMB Reporting Service
- Derivatives Market Collateral Management Service

Asset Transfer Services

- Debt Securities Transfer Service
- Exchange Traded Fund Service
- Equities and Other Equity-like Instruments Transfer Service
- Foreign Currency Payment and Transfer Service
- Local Currency Payment and Transfer Service

Numbering Services

- International Securities Identification Number (ISIN) Service
- Legal Entity Identifier (LEI) Service

Fund Management Service

Data Broadcasting Service

Cash Correspondence Service

Collateral Agency Service

Fund Valuation and Reporting Service

Repo-Reverse Repo Monitoring and Reporting Service

Equity Related Collateral Safe-Keeping of Brokerage Houses

Closed Brokerage House Transactions Service

Business Service Projects

NASDAQ Project

Within the scope of the strategic cooperation agreement signed on 20 January 2014 between Borsa İstanbul Inc. and NASDAQ, the resolution was taken for the development of a clearing, settlement, real time gross settlement delivery versus payment (RTGS DvP), default, collateral management and risk management system which will function in an integrated manner with the processing system and other modules to be renewed within the scope of the technological renovation studies carried out with NASDAQ and for the integration of the current Takasbank Custody, Banking and Accounting modules and the Central Registry Agency system with the newly developed system.

To that end, the Equity Market was included in the first phase of the implementation and technological transformation program scheduled to be introduced in two phases, whereas, the Debt Securities Market, Futures and Options Market and Precious Metals and Diamond Markets were included in the second phase. Practices on the Equities Market were started in January 2014, and practices on other markets were started in August.

The detailed analysis for the Equities Market and the implementation and development works were completed in 2014 by NASDAQ and the application tests were started. Both the internal tests and member tests are intended to be completed in September 2015 and the Equities Market applications are planned to be put into operation accordingly. Detailed analysis practices related to the second phase were initiated on August 2014.

› Knowledge Transfer Program

Since the source codes will also be obtained together with the software within the scope of the NASDAQ Project, a knowledge transfer program was introduced in this context for purpose of transferring knowledge. In accordance with this program, a certain number of IT employees from Takasbank and Borsa İstanbul are provided training abroad and take part in the development of applications.

The knowledge transfer program aims to enable the future application development and testing activities to be carried out entirely with the own resources of Takasbank and Borsa İstanbul, the system support and operations to be conducted without receiving any assistance from NASDAQ, and to develop necessary software for similar services and market them to the countries in the region.

OUR GAINS FROM THE PROJECT

› Enabling centralized risk and collateral management

The new risk and collateral management application which will begin to be used within the scope of the strategic cooperation was designed in an integrated

structure with the trading and settlement systems. This integration, on the one hand, enables the establishment of a risk management system that can function in a uniform and simultaneous manner for all markets at Borsa İstanbul and, on the other hand, guarantees the operation of the pre-trade and post-trade risk management processes in a harmonized manner. Having designed the risk management system as a whole for all markets wherein Takasbank operates will enable the risk mitigating effects between the markets to be taken into account in the period ahead of us.

New software is designed in a structure allowing the pre-trade risk management processes to be envisaged for all markets. The intention is to enhance the efficiency of the risk management system by this way.

› Convergence with the generally accepted international practices

One of the most important issues, especially for the investors domiciled abroad, in determining investments to be made in a country is to what extent the practices in that country resembles with the generally accepted international practices.

In this sense, by taking into account the fact that NASDAQ being designated as our strategic partner is the solution partner in more than 50 countries for the exchange and settlement systems; the implementation of its experience in our country regarding the practices adopted by these countries will contribute significantly to the convergence with the generally accepted international practices.



➤ Enhancing liaisons through the international reputation to be procured

With the liaisons to be procured under the auspices of NASDAQ's reputation on the international arena, the recognition of our exchange, and thus, our country in the international markets will increase, which will also contribute to İstanbul's goal of becoming a regional financial center.

➤ Contributions to the fulfillment of international commitments and compliance with the standards

Considering our country's efforts to get a European Union membership, the cooperation to be made with Sweden-based NASDAQ will provide significant added-value in terms of compliance with the European Union regulations. In parallel with the developments experienced in the international arena particularly for the financial market infrastructures (central clearing and custody institutions) and over-the-counter derivative instruments, this cooperation also bears great importance with regard to the establishment of technical infrastructure and compliance with technical regulations within the European Union. Practices conducted by NASDAQ regarding compliance with the standards will also increase the integration speed of our country's capital markets to the aforementioned standards and applications.

This issue bears the same importance not only for the EU acquits but also for our commitments to the G-20 and Financial Stability Board as well as the compliance with CPMI-IOSCO standards.

➤ İstanbul Financial Center Project priorities

The information technologies standards of the capital markets will be improved in order to ensure the establishment of a solid technological platform functioning in an integrated manner with the institutions and organizations in the sector and offering services to the exchanges, settlement and custody institutions and their members as well as lowering the operational expenses and reducing the costs with the jointly applicable solutions. The modular structure of the system which has been developed on a common platform provides flexibility and decreases new product development costs as well as shortening of the required time periods.

Applications and solutions developed by Turkey will be conveyed to other countries in particular to those in the region through the technical knowledge transfer and service exports. Thereby, the competitive power of our company will be enhanced and it will get closer to its short-term goal of becoming a regional financial center.

➤ Acquiring the source codes of the applications

Under the project, through the acquisition of the source codes together with the software and the technological knowledge transfer to be facilitated by the Knowledge

Establishment of the Business Continuity Management System

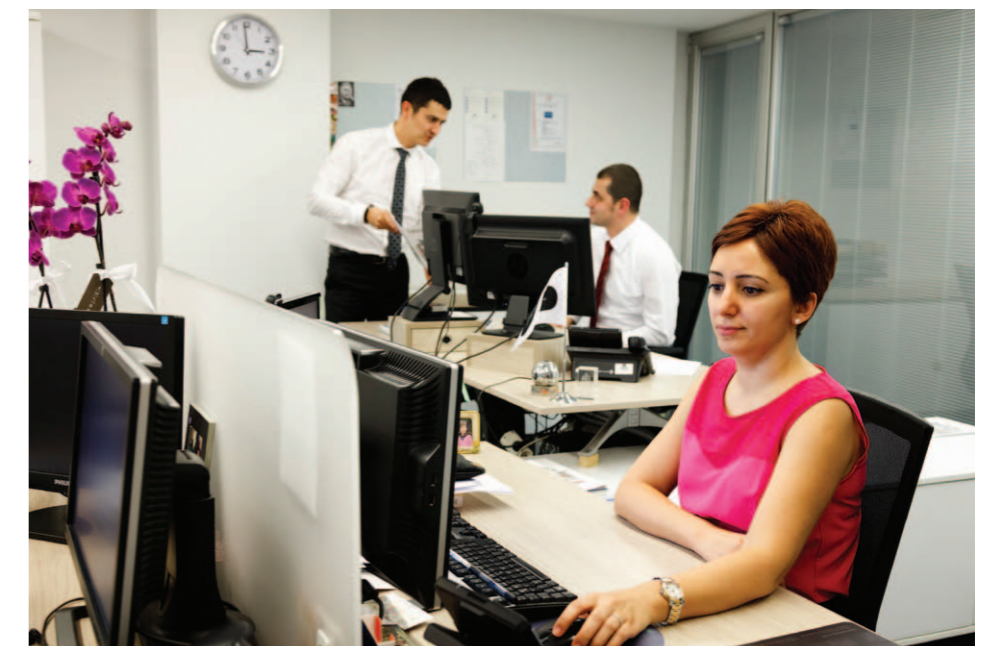
Transfer Program, it will also become possible to transfer other applications used at Takasbank into this technological infrastructure.

Business Continuity Management System (BCMS) enhancement practices of Takasbank being extensively conducted in 2013 also continued in 2014. The Business Continuity Process was fostered in a manner to function as a management system.

Practices initiated in the last quarter of 2013 to update the business continuity plans were completed in 2014, and Takasbank Business Continuity Plan incorporating the Service-Based Recovery Plan, the Disaster Recovery Action Plan, the Disaster Recovery Center Centralized Transmission Plan and the Communication Plan was approved by Takasbank Board of Directors of and put into practice on November 2014.

"Takasbank Business Continuity Management Rulebook" outlining the activities of Takasbank as well as the external institutions to and from whom we deliver and receive service and other structures with whom we are interdependent, the framework of the Business Continuity Management System as well as the management principles was prepared and it was shared with all employees on December 12th, 2014.

Relying on the fact that it will provide significant contribution and convenience to the execution of Takasbank's business continuity activities as a management system in a manner to ensure continuity of the "plan, do, check, act" (PDCA) cycle; Takasbank Business Continuity Automation Program (ISYSWin) was developed



entirely by Takasbank Business Continuity process owners and managers, based on the standards and practices on this subject. The program was put into effect on November 20th, 2014. This program enabled the service recovery plans to be automatically created, the plans and responsibilities of the employees in these plans to be monitored by the employees at any time as well as business continuity activities, tests and improvements of which they are being part of to be monitored, and new records to be formed. Besides, planning and completion of the business continuity tests and defining their improvements on this program produced enormous benefits for the program with respect to the speed, convenience, integrity and accessibility issues in carrying out the BCMS, and such benefits became observable even in 2014.

BCMS awareness trainings were provided for all employees of the Bank including the Senior Management in October and November 2014. For the improvement of the BCMS competencies, business continuity implementation and internal audit trainings were further conducted in June and July 2014. Besides these, for a total number of 51 employees across the Bank, particularly the Emergency Team Members, were given first aid trainings and 30 employees were given fire safety, intervention and rescue trainings.

Within the scope of the compliance with the ISO 22301-Business Continuity Standards, an independent external audit was conducted in our Bank by the BSI in November and December 2014s. The efficiency of Takasbank BCMS activities and their compliance with the international standards are aimed to be registered via this audit. As a result of the audit, Takasbank was granted the ISO 22301 Certificate without any finding pursuant to the BCMS's scope which is prescribed by the Bank and includes all critical services as well as the infrastructure services supporting these services and the assets. Thereby, an important step was successfully taken in reaching our strategic objective of "providing an efficient, uninterrupted, cost-effective and reliable service in international standards".



International Settlement and Custody Project

Within the framework of Takasbank's vision to become a preferred clearing, settlement and custody institution in the international markets, the efforts towards providing clearing, settlement and custody services in the international markets to the domestic financial institutions and to the international investors in both domestic and international markets were continued.

Within this scope, the relevant account and technical infrastructures were established in 2014 in order to be able to provide post-trade clearing, settlement and custody services and the International Clearing, Settlement and Custody System was introduced in two-phases. Through the enhanced international custody network, global access to more than 65 markets was achieved, and with the straight-through automation infrastructure, significant steps were taken towards secure and uninterrupted execution of the transactions. Updates and improvements still continue in line with the requests received from the members as well as the market requirements.

Within the scope of the capital market linkages project launched by Borsa İstanbul, Takasbank developed the market connectivity model and contributed to the expansion of its cooperation with the regional markets in the post-trade processes. The negotiations thereof commenced with Romania, Albania and Kazakhstan.



Takasbank Real Estate Title Transfer Mortgage System Project

For real-estate trading transactions, practices on a web-based system to be established between Takasbank and the General Directorate of Land Registry and Cadastre were started. Within this system, the immovable assets of the parties will change hands preferably in a simultaneous manner, and this service will be provided by Takasbank, as an impartial payment agency. The aim is to offer to the parties a reliable, efficient, uninterrupted and cost-effective system at the international standards in accordance with Takasbank strategies, thereby, lower the unrecorded transactions and contribute to the national economy. In line with this purpose, the final protocol was signed on 8 December 2014 between Takasbank and the General Directorate of Land Registry and Cadastre; and its design and software studies are continuing.

The project is expected to create several benefits such as;

- Eliminate any confidence problem arising between the parties in buying and selling real-estate,
- Remove cash handling risk,
- Contribute to the execution of transactions at actual prices, thereby, reduce any potential tax loss,
- Facilitation of audits to be conducted by the authorized organizations with respect to the operations performed as central agency,
- Establishment of proper statistical information due to centralization of the operations,
- Establishment of a modern, reliable and technological infrastructure for the operations and creation of time, labor and cost advantages for all parties; and
- Provide simplicity for investors domiciled abroad in buying and selling real-estate by the system to be introduced.

LEI Project

With the prefix "7890" assigned by the Financial Stability Board (FSB) on 31 July 2013, Takasbank started to allocate legal entity identifier codes (pre-LEI). The necessary infrastructure which enabled straight-through processing of transactions were completed in the first quarter of 2014. Accordingly, both foreign and local legal entities are able to perform their LEI code transactions over Takasbank web portal <https://www.leiturkey.com> as of February 2014.

Turkey Electronic Fund Trading Platform (TEFAS) Enhancement Project

The intention of the Capital Markets Board for the establishment of a common trading platform enabling buying and selling of funds as well as the recommendations of the market players paved the way to the conduction of fundamental revisions in order to improve the efficiency of Turkey Electronic Fund Trading Platform (Platform) which had been launched on 24 January 2011 but failed to attract sufficient demand. The most significant revisions are;

- Abandoning real time gross settlement delivery versus payment (RTGS DvP) method based on the principle of simultaneous exchange of cash and securities, and enabling the payment of cash amounts over the netted amounts on the value date,
- Removing the obligation of holding cash for order routing within the scope of the collateral deposited by the members within the framework of transaction limit allocated by Takasbank to the fund distributor institutions, and thus ensuring timely finalization of the settlement transactions accordingly.

TEFAS is a trading platform, however, it has been designed to comprise basically of two components. The first of these components is the Platform which facilitates the access of investors to all traded funds via the investment institutions; and the other one is the new web-based Fund Information Portal which had been established to provide contribution to the funds sector by enhancing transparency in the fund sector, enabling access to the information about funds from a single point without incurring any cost and raising the awareness of the investors.

Through the Platform, the investors began to access all mutual funds authorized to be established and traded in this platform by the Capital Markets Board via any institution where they held their accounts.



Enterprise Resource Planning (ERP) Project

For all Mutual Funds and Private Pension Funds being issued in Turkey, it becomes possible through the Portal to;

- access general information about the fund profile and the portfolio allocations,
- compare the selected funds with the fund group they belong and with the returns of other investment instruments as of certain periods, and
- access historical data of the fund and the fund group.

TEFAS was put into practice with its revised structure as of 9 January 2015, and by the Platform's entry into service and the use of the Portal established to support the Platform by our investors, it will provide maximum level of contribution to the funds sector as well as to the investors.

ERP Project practices were initiated in the first quarter of 2014 to enable Takasbank's processes related to its Human Resources, Budget, Purchasing-Supplier Management and Finance-Accounting Practices to be monitored and managed over "E-Business Management Software". Launched into the active environment with all of its modules as of January 1st 2015, the ERP Project aims to provide standardization and improvement in the said processes, establish coordination between the functional business processes, ensure easier access to data required for operational decisions and integrate the processes that currently operate independently from each other.

Private Pension Custody System Enhancement Project

By using their e-government passwords, private pension system participants can connect to "Bireysel Emeklilik" link on www.takasbank.com.tr and control the outstanding fund amounts in their accounts opened in their names as well as the state contribution amounts transferred to their accounts, in terms of number of fund units and their market value. In addition, after connecting to "Bireysel Emeklilik" link and using "Bilgilendirme İşlemleri" section, the participants, if they wish, may request communication of the daily balance changes occurred in their accounts via SMS and/or email, and the monthly balance changes and monthly fund amounts information via email.

As of 31 December 2014, approximately 166,000 participants logged-in to the system, and 13,000 participants requested communication by daily SMS, 23,000 participants requested daily activities by e-mail, 27,000 participants requested monthly balance by e-mail and 24,000 participants requested monthly activity by e-mail.

On 29 December 2012, the "Regulation on Government Contribution in the Private Pension System" had been published by the Undersecretariat of Treasury. Pursuant to the new legislation, the government contributes by 25% to the contributions made by the participants, and the state contribution amounts are deposited by the Treasury with the Pension Oversight Center's account. Such amounts are monitored

Information Technologies (IT) Projects

in blocked status at the cash blockage accounts opened under the private pension funds at Takasbank by the private pension companies. In addition, government contribution fund shares bought by the government contribution amounts are also monitored in a separate sub-account at Takasbank system.

Apart from the private pension fund shares, the contribution amounts paid by the participants, the deductions being made and contract information indicating the fund allocations are also monitored by Takasbank on a participant basis.

› Calculation of Performance Fee for Private Pension Funds

Regulation on Individual Pension System second paragraph of article 22 stipulates that, for the fund types falling into the 2nd and 3rd groups of the table given in Appendix 2 of the Regulation, a performance fee can be deducted from the returns exceeding the benchmark, and that, the principles and procedures for the execution of such deduction will be determined by the Capital Markets Board with obtaining the affirmative consent of the Undersecretariat of Treasury.

The Undersecretariat of Treasury and the Capital Markets Board require the performance fee amounts of the individual pension funds to be calculated by Takasbank. It is stated that this situation will have a positive effect on the costs of the individual pension companies, on the one hand, and will be appropriate by virtue of the impartial role assumed by Takasbank, on the other hand. Project development practices initiated in 2013 at Takasbank reached to a certain level of maturity within the scope of the draft resolution text shared with the Undersecretariat and the Board for the fee calculation. Project development practices are planned to continue in 2015 in parallel with the further steps to be taken by the Undersecretariat and the Board.



Information Technologies aims to provide information technology solutions and services to our business units in a timely and cost-effective manner via the most efficient and effective capitalization of the IT Resources in achieving the targets set out in accordance with the strategies of our Bank. While performing all these, the major objectives are, procuring the necessary tools, processes and resources to enhance the efficiency of the management function as well as developing mechanisms to ensure its sustainability.

Accordingly, the IT statistics and projects materialized during the year are given below:

TAKASBANK 2014 IT Statistics	2014
Database Size (active + archive)	1.5 TB
Number of PPS Activity Transfers	350,097,411
Number of Incoming SWIFT Messages	1,004,673
Number of Outgoing SWIFT Messages	2,008,026
Number of Incoming EFT Messages	324,532
Number of Outgoing EFT Messages	390,045
Number of Activities	17,619,012
Number of Issued Slips	6,120,133
Number of Messages Sent to CRA	1,806,828
Number of Messages Received from CRA	7,122,926
Number of Investors	6,093,148
Number of Leveraged Trading Notifications	80,465,450
Futures and Options Market Data	
Account/Identity Messages	250,345
Number of Accounts	103,980
Number of Investors	106,661

Business Continuity

Establishment of the Business Continuity Infrastructure

In the Head Office data center, a structure comprising of a server, SAN switch and disc unit was established as a business continuity system. Besides, in addition to the structure existing in Ankara Disaster Recovery Center, another structure comprising of a server, SAN switch and disc unit was also established. Some of the servers were designed to form Linux, some of them to form VMware infrastructure, and their installations were completed.

Databases established on Linux processing system were designed and started-up in a manner to create the backups of data generated in the production environment simultaneously in the head office and disaster recovery center. With the preparation of the VMware settings, the configuration of the environment for both Windows-based system backups and Linux-based system backups were finalized in an entirely different infrastructure. One system from almost all service components was configured and started-up in the business continuity environment via a service-based approach. The service-based configurations are still proceeding.

Transfer to Borsa İstanbul Data Center

With this project, the intention is to designate the data center established at Borsa İstanbul within the scope of İstanbul International Financial Center Program as the Primary Data Center and to transfer the existing real environment as well as the other associated Takasbank systems to the said data center, and begin providing service from the new data center.



DRC Router Renovation Project

Within the scope of the project, the Validating IT Services provided in the existing real environment by Takasbank are intended to be transferred to the Primary Data Center. The project is carried out in a coordinated manner with Borsa İstanbul and the CRA.

Hardware related to the project was purchased and physically installed in the Primary Data Center. Installation of the virtual servers, processing systems and database, application, web and messaging servers was completed. Configurations of some services are still proceeding. After the three-phase testing procedure, the transition process will begin.

A Disaster Recovery Data Center is present at Takasbank Ankara location. Our communication with the data center is facilitated through high-speed communication circuits created in cloud architecture design.

Router network communication system running in the data center and used in cloud communication architecture was altered. With this alteration, the existing system was revised to have automatic backups. The router device which manages multi-directional traffic instantaneously with İstanbul data center and the firewall backup systems running at its background were modified so that they can continue communication with no interruption immediately without any manual intervention in reacting to the outages which may occur under different scenarios. In the new structure, infrastructure revisions were made to enhance the communication capacity between the data centers.



Performance Improvement

Load Balancer Project

Use of Network Load Balancer equipment has been required to enhance control mechanism with respect to control of access to Takasbank web applications, load balancing, business continuity and security as well as to manage these processes more effectively. Devices are positioned in a manner by taking into account of the security and performance needs in İstanbul and Ankara data center systems in order to reinforce the sustainable structure of the web services provided by Takasbank. Load Balancer makes possible the end-to-end monitoring of member terminal connection and the determination of real service reaction times.

Web Application Firewall (WAF) security module which providing application security behind the familiar and traditional security structure on the software and hardware procured for internet systems, and the remote access VPN module which can make verification by SMS as well as the Global Traffic Manager (GTM) module allowing geographical load sharing for internet access of the systems in İstanbul and Ankara have been used in the bank for the first time.

The modules ensuring the business continuity of the Load Balancer structure become operational. Additional features to generate added-value in terms of security and performance on the existing critical systems are introduced whenever deemed necessary.



Wan Optimizer Project

A solution has been required to control the outbound data traffic and increase the speed and performance of the communication without disturbing its integrity between Takasbank IT systems and remote network access systems. For this purpose, a product selection study has been conducted for the WAN Optimizer project. The product structure ensuring communication in the most efficient manner has been identified via the studies conducted in this scope. In the assessment, the independent entity reports and the efficiency that the application contributes to our systems have been taken into account.

The structure designed within the scope of the project was deployed to Takasbank network topology in two phases. In the first phase, a practice was conducted for a structure which will increase the capacity and speed of the replication data of the database, electronic mail, electronic file and backup systems on the wide-band circuit running between Takasbank İstanbul and Ankara data centers. Consequently, it has improved efficiency by 60% on average in the transmission traffic. Additionally, Oracle database full replication time has reduced from 27 hours to 7 hours. This phase was put into operation in 2013 and started to be used between Takasbank data centers.

In the second phase of the project, agent deployment was performed at Takasbank terminals operating on part of the members, aiming at speeding up time for use of screen by the members operation on low bandwidth. To this end, deployment was made at the sample member terminal working at a circuit end of 256 Kbps. In this way, member entry screen started to appear in 28 seconds only, compared to 27 seconds when the agent is disabled. It has been observed that the screen use accelerated in the range of 1-100 times, depending on the rate of repetitive data. And the configuration equipped with agent proved to provide enhanced efficiency by 77% in average. The expansion was announced to all our members, in particular to those who use low bandwidths, and the system was put into operation with our demanding members.

Information Security Management System

ISO 27001 Project

Pursuant to its vision of "To be a trustworthy, effective and innovative institution which provides clearing & settlement, banking and central risk management services at global quality standards, preferred both in domestic and international markets.", ISMS Certification Compliance and Acquisition Project was conducted for ISO/IEC 27001, as being an international standard, to certify the quality of Takasbank Information Security Management System (ISMS).

In the practices conducted, the relevant controls were reviewed and procured in accordance with the requirements in order to ensure the confidentiality, integrity and accessibility of the information flows and the assets used in Takasbank business processes, with an intention to support Takasbank's strategically important objective of "providing efficient, uninterrupted, cost-effective and reliable service at the international standards".

In the same way, risks related to the information security were managed, information security management system was implemented in accordance with Takasbank's objectives and strategies and an information security perspective and awareness culture were accommodated in the business processes and units of the Bank; with the intention of contributing to the strategic objectives of "strengthening technological infrastructure" and "maintaining the competence, education level, satisfaction and performance of human resource at a high level",

In the project, subsequent to the project charter, the GAP analysis and senior management meetings were conducted, an ISMS Team was created, necessary trainings were received, and ISMS implementation meetings were held with this team. In the meetings, evidence was collected for the items compliant with the controls, and for the non-compliant items, Corrective/Preventive Action and optimization records were opened in the integrated management system software and statement of applicability (SoA) was prepared. An internal audit was conducted by the ISMS Internal Audit Team and optimization records were created in the integrated management system for the detected findings.

In the independent certification audit conducted in June, the company auditors shared the information that the implemented Information Security Management System is planned to achieve compliance with all conditions of ISO 27001 Standard, the management system is designed to help Takasbank reach its policies and targets, the established system is compatible with the fulfillment of the statutory, regulatory and contractual obligations, the information security targets and the strategic company objectives are in harmony, the practices conducted for the impact of IT on the business processes constitute good practices, the audit process is ultimately concluded in a successful manner; and that the designed Information Security Management System of the Bank is compatible with ISO 27001 ISMS Standard and satisfies the necessary conditions for the certification. Thereafter, by the completion of the certification process, Takasbank was granted ISO 27001 Certificate.



Monitoring

Takasbank Private Cloud Infrastructure Configuration Project

The server requirements in Takasbank IT infrastructure are increasing with each passing day and meeting these requirements in a swift manner and establishing the necessary infrastructure with a business continuity perspective are of great importance for the rapid engagement and sustainability of the services. A project was designed to meet these requirements as well as to monitor and manage IT infrastructure services in an efficient manner.

Within the scope of the designed plan, automation products that meet the requirements in the Microsoft product family were configured and integrated to each other. After the integration, the systems to be monitored primarily were identified and their configurations were made. The configured infrastructures are traced over a customized monitoring screen. Configuring new systems and infrastructures to this monitoring screen is described as a living process. Practices are proceeding particularly for the automation and efficient management of action taking stages regarding system monitoring and incident records which are a part of the event management process.

Besides that, in 2014, practices were also started for the integration of Incident and Request Management processes being reviewed under the "Continuous Improvement Life Cycle" to the relevant service desk application. These practices will proceed throughout 2015 with the intention of dealing with the service support processes in a more effective manner.

Web Proxy, URL Filtering and DLP Project

DLP structuring need has arisen in order to prevent moving data used in Takasbank IT systems out of the bank without knowledge of the bank management. The abbreviation DLP derives from "Data Loss Prevention" or "Data Leak Prevention", and means preventing loss or leakage of data. In IT systems, leakage can take place in two different possible ways; through the network and from the last user computer. Thus, DLP structuring was established against these two factors.

The DLP product available in Takasbank inventory was configured in order to prevent data leakage through network and by this way; the "http" and "https" accesses are taken under control. For data leakage from the user computers, an alternative DLP product available again in Takasbank inventory was also configured. By the alternative DLP, leakages through the user computers via methods such as copying to USB memory sticks are also taken under control.

Policies that would prevent data leakage of products have been set forth by Takasbank senior management. This system built by the utilization of products in Takasbank inventory will be developed even further and extended with more communication tools.

Security Information and Event Management (SIEM) Renovation Project

A revision was made in the event log management system in order to review the logs generated by information systems, analyze and explain the critical logs according to the security criteria, and maintain compliance with the Law No. 5651 "Regulating Broadcasting in the Internet and Fighting Against Crimes Committed through Internet Broadcasting"

The SIEM (Security Information and Event Management) Log Management structure used in Takasbank's IT structure since 2009 was updated by a more visionary and advanced new SIEM Log Management structure.

Our new SIEM product provides real visibility in IT assets and networks and facilitates detection of advanced threats that might be faced in a wide range of spectrum. The system also enables Takasbank to meet its compliance requirements against the laws as well as the BRSA.



Management Systems

Integrated Management System Launch

A web-based Integrated Management System application was established and necessary trainings are received in the second half of 2013 with the aim of automated operation of the planning and monitoring activities of Takasbank's ISO 27001 Information Security Management System and Takasbank Continuous Improvement Management Process as well as IT Risk Management, Information Security Internal Audit and Management Review Processes. The application was made accessible to all Takasbank users and became operational at the beginning of 2014.

ISYSWin Application Launch

Takasbank Business Continuity Automation Program (ISYSWin) was launched on November 20th, 2014 relying on the fact that it will provide significant contribution and convenience to the execution of Takasbank's business continuity activities as a management system in a manner to ensure sustainability of the "plan, do, check, act" (PDCA) cycle. This program enabled the service recovery plans to be automatically created, the plans and responsibilities of the employees in these plans to be monitored by the employees at any time as well as business continuity activities, tests and improvements of which they are being part of to be monitored, and new records to be formed.

Agile Application Development Transformation and Use of TFS as a Tracking Tool

Subsequent to the research and analysis conducted in 2014, the resolution was taken to adopt a modern approach in the IT practices. The purpose of this program named "Agile Transformation Program" was to enable the software and systems used in Takasbank operations to be developed and put into operation in accordance with the practices to be carried out in a planned and coordinated manner both by IT and the relevant business units as well as the information systems and human resources of Takasbank to be used in an efficient and effective manner during the course of the application development process.

As part of the program, trainings were organized in January and February 2014 so as to cover both IT units and the business units and the consultancy service on the program started to be received on March 2014. During the consultancy process, small infrastructure revisions were executed by the business units and the IT teams, on the one hand, and the practices on the preparation of the infrastructure necessary for the transformation were conducted, on the other hand.

Within the scope of the project, both the "Scrum" framework and the Application Development Process were revised in accordance with the agile principles. It is managed by the use of the process named "T-Agile". It is employed as a tracking tool to define the business unit requests. Then, they are prioritized and detailed, and the practices regarding monitoring, resource planning and reporting are conducted.

Capital and Shareholding Structure

Changes in the capital and shareholding structure

The main shareholders of Takasbank and its capital structure as of 31 December 2014 and 31 December 2013 are shown in the following table:

TL (,000)

Item No	Shareholders	Current Period		Previous Period	
		Paid-in Capital	%	Paid-in Capital	%
1	Borsa İstanbul A.Ş. (*)	373,515	62.25	218,638	52.06
2	Phillip Capital Menkul Değerler A.Ş.	27,000	4.50	21,000	5.00
3	Tacirler Menkul Değerler A.Ş.	27,000	4.50	21,000	5.00
4	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,235	4.37	20,405	4.86
5	T. Garanti Bankası A.Ş.	26,235	4.37	20,405	4.86
6	Türkiye İş Bankası A.Ş.	26,235	4.37	20,405	4.86
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	20,405	4.86
8	T. Sınai Kalkınma Bankası A.Ş.	-	0.00	21,000	5.00
9	Other brokerage houses (38) (previous period: 43)	39,574	6.60	34,986	8.33
10	Other banks (10) (previous period: 10)	27,971	4.67	21,756	5.17
Total		600,000	100.00	420,000	100.00

(*) By its former title: İstanbul Stock Exchange Inc.

62.25% of Takasbank shares belong to Borsa İstanbul Inc. While Borsa İstanbul Inc. was originally a public legal entity under the title of İstanbul Stock Exchange, it was transformed to a joint stock company in the status of private legal entity by the Capital Markets Law No. 6362. Established to engage in exchange activities pursuant to the article 138 of the Law, Borsa İstanbul Inc. incorporated all exchanges in our capital markets under a single roof and received its operation permit by the direct registration and promulgation of its articles of association on April 3rd, 2013.

Pursuant to the provisions of the Law and applicable regulations, the primary objective and business line of Borsa İstanbul A.Ş. is to ensure that capital markets instruments, foreign currencies, precious metals and stones and other contracts, documents, and assets deemed eligible by the Capital Markets Board are traded in a facile and secure manner under free trade conditions in a transparent, efficient, competitive, fair and stable environment in accordance with the provisions of the Law and the relevant legislation; to match or facilitate matching of the buy and sell orders for these assets in a manner to finalize them; to create, to establish and develop markets, market places, trading platforms, systems and other organized market places to determine and announce the formed prices; to manage and/or operate the aforementioned or other exchanges or markets of other exchanges; and

to engage in other activities stipulated in its articles of association. Changes in the shareholding structure during the current period are shown below:

Former Shareholder	New Shareholder	Share Value (TL)	Ratio (%)
Türkiye Sınai Kalkınma Bankası A.Ş. (*)	Borsa İstanbul A.Ş.	21,000,000	5.0000
Oyak Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	5,247,000	0.8745
Ziraat Yatırım Menkul Değerler A.Ş. (*)	Borsa İstanbul A.Ş.	76,364	0.0182
Güney Menkul Değerler A.Ş. (*)	Borsa İstanbul A.Ş.	42,000	0.0100
Ekspres Yatırım Menkul Değerler A.Ş. (*)	Deniz Yatırım Menkul Değerler A.Ş.	20,405	0.0049
Censa Menkul Değerler A.Ş. (*)	Borsa İstanbul A.Ş.	7,000	0.0017
Optimal Menkul Değerler A.Ş. (*)	Integral Menkul Değerler A.Ş.	7,000	0.0015

* Transfers made while the capital of the Bank was 420 million TL.

Titles of Real or Legal Persons Holding Qualifying Shares

With a nominal paid-in capital of 600,000,000.-TL, all the shares to be issued representing Takasbank Class-A and Class-B shares are registered; and these shares are permitted to be transferred only among the exchanges established pursuant to the Capital Markets Law and their members, investment institutions, collective investment schemes, portfolio management companies, mortgage financing companies, central clearing institutions, central custody institutions, publicly-owned joint stock companies listed in the organized markets and the private pension companies that are established pursuant to the Private Pension Savings and Investment System Law. Except for Borsa İstanbul Inc., the shares of any single shareholder cannot directly or indirectly exceed 5% of the Bank's capital.

The 2.000 Class-A shares held at Takasbank are exclusively owned by Borsa İstanbul A.Ş., and are non-transferable. No other Class-A shares may be issued as part of a capital increase and the ownership of Class-A shares, with a nominal value of TL 200 each, entitles Borsa İstanbul A.Ş. to four seats on the Board of Directors at the Bank.

Titles of Real or Legal Persons Holding More than 10% of the Capital

As of 31 December 2014, Takasbank has a total number of 55 shareholders. Borsa İstanbul Inc. is the only shareholder with a stake of more than 10% in the capital, and with a nominal share value of 373,514,742.68.-TL, holds 62.25% of total capital.

Information on Shares Held by the Chairman and Board Members, CEO and the Executive Vice Presidents

The Chairman and Members of the Board of Directors of Takasbank, Members of the Audit Board, the CEO and Executive Vice Presidents do not own any shares in the Bank.

Amendments in the Articles of Association

Amendment made in the articles of association article 6 entitled "Capital" within the scope of the increase of bank capital from 420 million TL to 600 million TL was adopted in the 19th Ordinary General Assembly Meeting held on 28 March 2014 and registered on 26 June 2014.

Developments Related to Financial Markets and Takasbank in 2014

In general, a slow growth trend was prevalent in the world economy throughout 2014. However, regional differences started to be observed in the global perspective in terms of macroeconomic outlook. Despite the recovery observed in the US economy, the fact that effects of global crisis still prevailing both in the EU countries and the developing countries slows down the recovery trend in the global economy.

With the positive developments being observed in the US economy after the global crisis, the U.S. Federal Reserve decided to taper bond purchases on 18 December 2013 and its bond purchase was reduced by USD 10 billion per month. As the first stage of the monetary tightening policy, the bond purchasing program ended as of October 2014, and its second phase, the short-term interest hike, was postponed to 2015.

Global economic outlook

Failing to overcome banking sector problems in the Euro Zone as well as high public debts, weak investment trends, structural issues, high-levels of idle capacity and high employment rate are the factors that hinder the improvement achieved in financial markets to be reflected in the real sector. The regional economy has technically moved out of recession in the second quarter of 2013. However, the fact that Germany, as the driving force of the regional economy, and other large EU economies such as France and Italy had a poor economic performance and were unable to achieve growth during the course of 2014 exposes Euro Zone to the risk of recession.



To avert this risk, European Central Bank (ECB) affected its initial rate cut in June 2014. On the other hand, the Central Bank also expanded its balance sheet via unconventional monetary policies and started to support economy. Its targeted long-term refinancing operations and negative interest rates on short-term deposits held at Central Bank aimed to push the banks to lend the funds they obtained from ECB to the real sector and boost the household demand via the credit market, and hence to accelerate the economic activity.

The monetary policy normalization process initiated by U.S. since the second quarter of 2013 caused fluctuations in the global financial markets and many emerging countries including Turkey were adversely affected from these developments. Especially the developing economies encountering the problem of current account deficit were faced with capital outflow and as a consequence, fluctuations occurred in the financial markets, currencies depreciated, and many countries facing current account deficit had to increase interest rates. In addition, growth slowed down in some of the emerging countries experiencing structural problems, particularly in China.

The weak outlook of the global economy restrained the inflation due to poor demand, and led to the decline of energy and industrial metal prices. While the average price of Brent oil was 109 dollar per barrel in 2013, it dropped to the level of 55 dollars at the 2014 year-end; and drought-linked fluctuations were observed in food prices.

The effect of fluctuations

Fluctuations has occurred in capital flows to Turkey and other emerging countries as a result of the increased uncertainties in the global economy beginning from May 2013 and also continued throughout 2014. Such fluctuations created many adverse effects on the domestic local markets and macroeconomic outlook, particularly on inflation. Acceleration started in the basic commodity prices by the effect of depreciation occurred in Turkish Lira beginning from the first quarter of 2014. Consumer Price Index (CPI) which has ended 2013 at an annual increase rate of 7.40% started to show a rising tendency in 2014 due to reasons such as foreign currency exchange rate, oil prices, unprocessed food prices, tax arrangements in certain commodities, etc. and ended the year at the level of 8.17%. As a result of the cost-enhancing developments and the effect of retroactive pricing behaviors in the service prices, inflation edged closer to double digits in the middle of the year and then started to show a downward trend at the end of the year by the positive effect of energy prices and the reversion of the rate of increase in food prices back to its historical averages.

In the period when fluctuations driven by capital flows started in the global markets, CBRT responded at the initial stage with instruments other than key interest rate. Accordingly, it took steps to increase the cost of liquidity supplied to the market and the foreign currency liquidity in the market, and from July onwards, as the starting date of fluctuations, to the end of 2013, it reduced the funding it makes to the markets with key interest rate, funded the markets over the upper limit of the interest rate corridor declared as the marginal funding rate, and through daily foreign exchange auctions, it increased the foreign currency liquidity it provides to the markets, and maintained its firm standing.

However, fluctuations in the financial markets started to increase towards the end of 2013 due to the risks related to the global economy and the political developments in the country. The adverse situation resulted from such fluctuations moved the inflation outlook and expectations away from the medium term target. Consequently in January, CBRT raised its one-week repo rate used as the key interest rate by 550 basis points from 4.5% to 10% in a front-loaded manner. After the occurrence of risk improvements in the domestic financial markets, CBRT made conservative rate cuts during the period from May to July 2014 by maintaining its firm standing against the inflationary risks.

Global economy continues to recover moderately albeit at an uneven pace. While developed economies are subject to recession and lower potential growth risk in the medium-term, the potential growth pace in the developing economies decreases. The uncertainty about when and at what level the U.S. Federal Reserve will raise the interest rates and what type of transmission will be adopted in the short and medium-terms still prevails for the global financial markets.

Tightening of fiscal policy, fighting with inflation and strengthening the fundamentals of the economy via macro precautionary measures to alleviate structural vulnerabilities will be essential for developing economies, in particular for Turkey, which have structural problems and a combat with high inflation in this conjuncture where global liquidity is gradually tightened for the emerging countries.

The rising tendency of the interest rates continued till the mid of May and then fell a little from May to July and stayed flat during the remaining period of the year by the tight monetary policy practices being implemented since the beginning of 2014. Realizations in the financial markets in parallel with the interest rates were also reflected in Takasbank financial statements. The fund management revenues accounted for almost 66% of the total revenues of Takasbank.

In addition to its clearing, settlement and custody functions, Takasbank also provides interest accrual service for the trade collaterals in various markets, the guarantee funds as well as for the assets of the closed brokerage houses through money and capital market instruments in accordance with the "low risk - high yield" principle.

Years	Total Revenues (thousand TL)	Gross Fund Management Revenues (thousand TL)	Share of Fund Management Revenues (%)
2009	83,318	52,151	59.0
2010	74,995	37,969	50.6
2011	96,635	43,814	45.3
2012	147,238	78,025	53.0
2013	195,190	111,614	57.2
2014	259,630	170,644	65.7

Takasbank in the International Markets

Relations with the International Capital Markets

Today, the efficiency, effectiveness and reliability of clearing, settlement and payment systems is the most important building block of the capital markets. The infrastructure of the clearing, settlement and payment systems being at world quality standards is an indispensable factor to be able to compete with a fast, effective and reliable capital market both at the national as well as international markets.

Takasbank is closely pursuing the regulations and practices both at the European Union as well as at the other markets and is continuously improving its clearing and settlement systems. Takasbank is increasing our country's competitive power on the markets by its risk mitigating and efficiency increasing activities. The NASDAQ project, which has been initiated in 2014, the Central Counterparty and other information technologies projects are carried on within the scope of this framework.

The development of common cooperation areas as well as the establishment of mutual correspondent relations and important collaborations with the international and regional clearing and settlement institutions (especially with the pre-determined Middle East, North Africa, Balkan and Central Asian countries) parallel to BIAŞ (Borsa İstanbul Inc.) and MKK (Central Registry Agency); is a strategic target of Takasbank. Within the scope of this target, activities have been executed in order to improve the cooperation facilities with these institutions in 2014 and training-focused workshops and various meetings have been organized in order to contribute to the development of the capital markets in the region.

During the year 2014, exchange of knowledge has been provided about post-trade services in the workshops held in various periods with the Kazakhstan Stock Exchange and Central Securities Depository. Takasbank principles of practice have been shared on issues such as the T+2 clearing cycle, the guarantee funds and default procedures.

Practices have been performed on the market access models with the Romanian Stock Exchange and Central Clearing and Depository Agency. During the workshop organized in Romania, both the latest developments in the Turkish capital markets have been shared as well as ideas have been exchanged on the market access and the development of the Romanian capital markets. The practices have been carried on via teleconference together with the participation of Borsa İstanbul.

In addition, the cooperation of Borsa İstanbul with the Albanian Stock Exchange have been supported, the infrastructure of the Albanian capital market has been reviewed and views have been exchanged on a convenient clearing and depository structure to be recommended. Practices have been conducted regarding the settlement service to be provided by Borsa İstanbul to international clearing houses within the scope of the project of international trading of derivatives instruments having Turkish stocks as the underlying asset and a convenient business model has been developed.

During the workshop organized by Borsa İstanbul, information have been provided to the representatives of the Armenian Stock Exchange about Takasbank's activities and equity market clearing and settlement transactions. Within the framework of the "Memorandum of Understanding" signed between Takasbank and the TDC – Tunisian Depository & Clearing Agency on Feb.13, 2013, which aims at mutual exchange of information related to clearing, settlement and depository services and working to enhance the development of capital markets in both countries; training has been provided for the representatives of the TDC in 2014 regarding the Turkish capital markets and Takasbank activities. In addition, during the year 2014, training has been provided for the representatives coming from Jordan and Macedonia about Takasbank activities within the scope of the FEAS Bilateral Training program.

Along with these activities, upon Takasbank launching of Central Counterparty service for Borsa İstanbul Futures and Options Market in 2014, due diligence meetings have been conducted for the fulfillment of information requests of international capital institutions related to this service and views have been exchanged with Central Counterparty organizations operating in the international area.



International Memberships

› European Association of Central Counterparty Clearing Houses (EACH)

EACH has been established in 1992 in order to represent the common interests of the Central Counterparty clearing houses operating in the European countries. It has 20 members providing Central Counterparty services from 15 different European countries.

During EACH General Assembly meeting held on October 7, 2014, Takasbank had become a member to the European Association of Central Counterparty Clearing Houses.

Through EACH membership, Takasbank has the opportunity both to obtain information on central counterparty practices conducted within the EU and to express its views relating to these issues as well as to enhance the relationships and cooperation with the Central Counterparty institutions being members to the association.

› Federation of Euro-Asian Stock Exchanges (FEAS)

The Federation of Euro-Asian Stock Exchanges – FEAS, which has been established in 1995 has a total of 51 members consisting of 34 stock exchanges, 17 clearing, settlement, custody and other institutions (affiliate members). A total of 31 countries are represented at FEAS. As an affiliate member of FEAS, Takasbank had shared its knowledge and experience extensively with other clearing, settlement and custody institutions and had the opportunity to further develop existing relationships.

Takasbank hosted the representatives from Jordan and Macedonia within the scope of FEAS Bilateral Training Program in 2014. Besides, in accordance with the requests of the FEAS member organizations, Takasbank's activities and operations had been introduced focusing mainly on the equity market clearing and settlement operations in the meetings attended by the related staff of the relevant business departments.

› Organization of the Islamic Conference (OIC)

Founded in 2005, the Organization of Islamic Conference (OIC) Member States' Stock Exchanges Forum aims to promote cooperation among stock exchanges operating in OIC countries. As well as stock exchanges, post-trade institutions operating in the capital markets may also actively participate in the activities of the Forum. The Forum has a total of 57 members consisting of 42 stock exchanges, 7 clearing, settlement and custody institutions and 8 other institutions and associations.

Takasbank participated the Forum's 8th meeting organized in İstanbul on November 11, 2014 and conveyed information about the Takasbank activities.

› Institute of International Finance (IIF) Membership

Takasbank is a member of the Institute of International Finance (IIF), which is an association of financial institutions with more than 450 members. Having become a member in January 2008, Takasbank participates in annual IIF meetings to exchange

ideas, develop business relationships and cooperate with high-level executives of some of the world's leading financial institutions.

Takasbank attended the IIF Board Meeting held on October 10-11th, 2014 in Washington, DC., U.S.A.

› International Securities Services Association (ISSA) Membership

ISSA (International Securities Services Association) has been founded in 1979 under the leadership of Citibank, Deutsche Bank and UBS (Union Bank of Switzerland). The members of the ISSA are banks providing custody services, clearing houses, deposit taking institutions, exchanges and assets management companies. The aims of ISSA are to develop convenient solutions to mitigate risks in the securities services sector and to increase the effectiveness as well as to increase international cooperation in the sector, to strengthen the communication between service-providers and regulatory bodies. In order to realize these aims, ISSA Symposiums and other meetings and conferences are organized, work groups are formed and various information materials are published.

ISSA membership provides Takasbank opportunity to monitor the developments in the global securities sector.

› Presentation of Takasbank Services via Detailed Questionnaires Received from International Institutions

In order to introduce Takasbank services, mainly the CCP services, within the scope of the customer analysis assessments in 2014, Takasbank responded to detailed questionnaires sent by international institutions.

During 2014, detailed questionnaires mainly related to the CCP services and the portfolio custody services presented to collective investment schemes had been answered and subsequent meetings were held with the representatives of these institutions at Takasbank.

› Activities for the Implementation of International Standards in Turkey

- ISIN (ISO 6166) and CFI (ISO 10962) codes used for the numbering of securities,
- MIC code (ISO 10383) used for the identification of markets,
- The ISO 17442 – LEI – Legal Entity Identifier code used to identify the legal entities being a party to the financial transactions,
- BIC code (ISO 9362) used to identify the banks,
- IBAN code (ISO 13616) which is the international customer bank account number standard

are applied as standards in the Turkish finance markets.

Takasbank serves as the National Numbering Agency since 1995. Within this scope, ISIN-ISO 6166, CFI-ISO 10962 and LEI-ISO 17442 codes are allocated by Takasbank.

Representation Practices related to International Standards

➤ Numbering of Securities

Takasbank allocates ISIN – ISO 6166 and CFI – ISO 10962 codes to all financial instruments issued in Turkey in accordance to the international standards. Within this scope, stocks, government bonds, treasury bills, futures and options contracts, mutual funds, corporate bonds, warrants, electronic product certificates and similar financial products can be assumed.

➤ Allocation of Legal Entity Identifier Code- LEI

It is obligatory to have a Legal Entity Identifier (LEI) code for institutions being a party to swap and over the counter derivatives transactions at US finance markets as of October 12, 2012 as well as for institutions being a party to both over the counter and organized markets derivatives transactions at EU as of February 12, 2014. It is possible to access all information related to institutions being a party to a financial transaction, without any confusion, via the LEI code, being a key created to gain access to reference data related to a company.

Takasbank provides LEI code allocation services upon being endorsed as the only local operating unit in Turkey as the consequence of its application to the Regulatory Oversight Committee (ROC) with the sponsorship of the Capital Markets Board in 2013. Both local and foreign legal entities requiring LEI code may obtain this code through Takasbank web portal. Besides, any legal entities having obtained this code form local operational units residing at another country, are free to transfer the code to Takasbank, and thus perform updates related to these codes faster, more effectively and with low cost.

➤ ISO TC68/SC4 Committee Membership

Takasbank is representing Turkey on behalf of the Turkish Standards Institute (TSE) in the ISO TC68/SC4 Committee of the International Standards Organization (ISO), which develops international standards for securities and related financial instruments.

Takasbank also acts as the President and Vice-President of the Working Group for National Market (MTC43 Mirror Committee- Turkey), established to monitor standardization work of the ISO TC68/SC4 Committee for securities and other financial instruments, to contribute to the development of standards and to ensure the application of these standards in Turkey. The Group is comprised of the entire capital market, through involvement of the CBRT, the Banks Association of Turkey, the Turkish Capital Markets Association, custodian banks, commercial banks, investment banks and brokerage houses.

Throughout 2014, Takasbank participated all working group practices held by the ISO TC68/SC4 Working Group 6 related to the updating of the Classification of

Financial Instruments Codes (CFI - ISO 10962). Within this framework, ISO 10962 standard had been restructured to encompass the new financial instruments which have arisen in the recent years and to mitigate the risks related to the classification of financial instruments. In the last quarter of 2014, this newly formed standard had been approved by the members of the ISO committee. At the same time, Takasbank has started to be actively engaged in the practices of arranging the international standard related to the entity legal forms (Entity Legal Forms – ELF) planned to be developed by the Working Group 8 which had been established at the end of 2014.

Takasbank participated ISO TC68/ SC4 Committee's General Assembly held on May 12, 2014 in London, England and ANNA General Assembly meeting hosted by the Iceland Depository Institution (ISD) on May 22-23, 2014 at Iceland as well as ANNA Workshop and Extraordinary General Assembly meetings hosted by the Indonesian Central Securities Depository Institution (KSEI) on November 20-21, 2014 at Indonesia.

➤ Association of National Numbering Agencies (ANNA) Membership

The Association of National Numbering Agencies (ANNA) is an international organization with 89 full members and 27 associate members worldwide. National numbering agencies, authorized to assign ISIN codes to securities in their respective countries, are eligible for membership of the organization.

As the national numbering agency in Turkey, Takasbank has been an active member of ANNA since 1995 and serves as the member of the Technical Committee of ANNA Service Bureau (ASB) aiming to collect ISIN codes and basic securities information on a web-based platform, while offering these codes and information as a product for financial institutions. The ASB database serves as a valuable source for international finance markets as the largest ISIN and CFI database in the world with data from 125 countries and 2 international settlement and custody institutions (Euroclear and Clearstream).

Takasbank has actively participated the practices regarding the new report structure (NRS) of ASB executed by the Working Group 5 in the first half of 2014. Within this scope, all securities and issuance information forwarded to the ASB database in the existing system have been provided in more detail and both the ASB database as well as the Takasbank systems had been adapted to the new structure.

In August 2014, the tests performed with ASB had been successfully completed and the new report structure of ASB has been put into effect on November 10, 2014.

Representation and Presentation

In line with its vision "To be a trustworthy, effective and innovative institution which provides clearing & settlement, banking and central risk management services at global quality standards, preferred both in domestic and international markets", Takasbank aims to act more actively in the international arena. To this end, the bank hosted the representatives of foreign institutions, attended at international conferences, symposiums and panels, and supported some of these conferences as spokesman and sponsor in 2014,

As in the past years, information about Takasbank services and corporate developments were disclosed to the related people and the public via both the website as well as press bulletins in 2014, too.

The results of the External Service Satisfaction Survey conducted in 2013 demonstrated that the members had a strong demand for the conduction of the training programmes for Takasbank practices. As a result of the assessment of these expectations by the executive management, it was decided to prepare and execute a training program for the Electricity Market participants as well as the brokerage houses and banks throughout 2014. In accordance with the feedback, the organization of trainings for the Electricity Market participants in 3 centers, i.e. İstanbul, Ankara and İzmir was found convenient. A total of 241 participants attended the trainings organized in İzmir on March 15-16, 2014, in Ankara on March 22-23, 2014, and in Sapanca on April 19-20, 2014. Whereas the trainings organized for banks and brokerage houses was conducted on June 7-8, 2014 in İstanbul with the participation of 83 participants.

The "İstanbul Finance Summit" organized in İstanbul on September 15-16, 2014 was attended at CEO level.

Takasbank supported the FX World-Forex and Derivatives Conference which was held on September 25-28, 2014 as a strategic associate with the coordination of the Capital Markets Board.

Takasbank also contributed as a sponsor to the IOSCO C5 Committee Activity which was held on the dates October 21-22, 2014 under the coordination of the Capital Markets Board.

Takasbank participated in the "Euromoney Eurasia İstanbul Forum" organized as a forum for the second time by Euromoney within the scope of İstanbul Finance Centre (IFC) on June 3, 2014, in İstanbul with the participation of all organizations within the scope of IFC (CMB, BRSA, Undersecretariat of Treasury, Takasbank, CRA, etc.) and other financial organizations. The company profile promoting Takasbank was published in the presentation document of the forum.

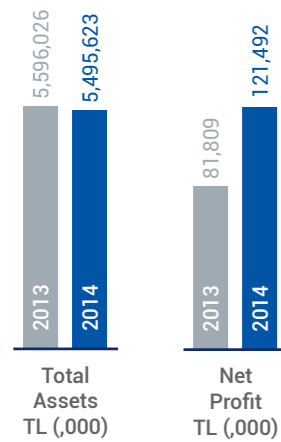
The International Financial Center Global Series Conference organized in İstanbul on December 3, 2014 by the Financial Times Global Conference and Events and the 5th Bosphorus Summit organized by the International Cooperation Platform on the dates December 10-12, 2014 has been attended at CEO level.

A meeting had been held to inform the related people of the banks and the brokerage houses at the Sisli Marriott Hotel on December 17, 2014 in order to provide information about the existing market practices within Takasbank in the framework of the NASDAQ Project and the current state of affairs reached in the renewal practices of the technical infrastructure.

Within the framework of "The Project 7 Regions 7 Universities", 5 universities had been visited and the capital markets as well as Takasbank's role on the markets had been explained.

Financial Highlights

MAJOR INDICATORS



TL (,000)

	2013	2014
Total Assets	5,596,026	5,495,623
Shareholders' Equity	590,396	800,244
Paid-in Capital	420,000	600,000
Operating Profit	101,220	150,547
Interest and Portfolio Revenues	123,670	179,323
Net Profit	81,809	121,492

USD (,000)

	2013	2014
Total Assets	2,621,949	2,369,927
Shareholders' Equity	276,623	345,096
Paid-in Capital	196,786	258,743
Operating Profit	47,425	64,922
Interest and Portfolio Revenues	57,944	77,331
Net Profit	38,331	52,392
CBRT'S USD/TL rate taken as basis in the evaluation	2.1343	2.3189

FINANCIAL RATIOS (%)

	2013	2014
Operating Profit / Total Assets	1.81	2.74
Shareholders' Equity / Total Assets	10.55	14.56
Operating Profit / Shareholders' Equity	17.14	18.81

SUMMARIZED FINANCIAL INFORMATION

During the operating year, January 1st-December 31st, 2014, Takasbank achieved:

A PRE-TAX PROFIT OF
TL 150,547 thousand

AND A NET PROFIT OF
TL 121,492 thousand

INTEREST REVENUES OF
TL 179,323 thousand

INTEREST EXPENSE OF
TL 40,076 thousand

NET INTEREST REVENUES OF
TL 139,247 thousand

FEE AND COMMISSION REVENUES OF
TL 78,492 thousand



CORPORATE GOVERNANCE



Human Resources Practices

The operations to establish modern corporate culture, focused on sustainable growth, continued in 2014 as well. While Takasbank has renewed its organizational chart in accordance with the business requirements in 2014, it also launched applications to enhance motivation of the personnel.

Parallel to the gradual increase of Takasbank's diversity of service range and intensity of activities, its number of employees reached to 257 people at the end of 2014.

Takasbank, along with rewarding efficient performance rewarding activities in 2014 has conducted practices aiming at keeping the personnel's motivation high, such as increasing the salary and other financial rights above the inflation rate and granting premiums after the successful execution of projects. During the year, various organizations have been realized to improve the relations between the employees and such activities will also continue in the future. Adopting the human resource as the most important asset according to its vision of sustainable growth, Takasbank aims to improve the development of personnel through formulation of proper human resources strategies compliant with its mission and targets to enhance communication and satisfaction.

Takasbank has continued its approach of applying objective assessment criteria to meet labour force requirements. An examination for the position of the assistant specialist had been held during the year for the assignment in the operational units, and 2 employees taking office at the end of 2014 and 8 employees at the beginning of 2015 have undergone a 2-months training including the important institutions of the sector and the Takasbank practices.

The training activities have been carried on in a supplementary manner to the other human resources practices, consistent with the corporate targets. In the framework of technical, professional and personal development trainings, each personnel had undergone a training of an average of 52 hours.

Furthermore, contributions were made for the foreign language trainings and training leaves were allowed to our employees who continue their post graduate and doctoral degree studies.

The ERP project practices, which shall decrease the operational costs and risks in Human Resources processes, ensure the active participation of the employees in the human resources processes, support the effective use of the labor force and provide the accurate and reliable keeping of human resources data, have been initiated und put into practice.

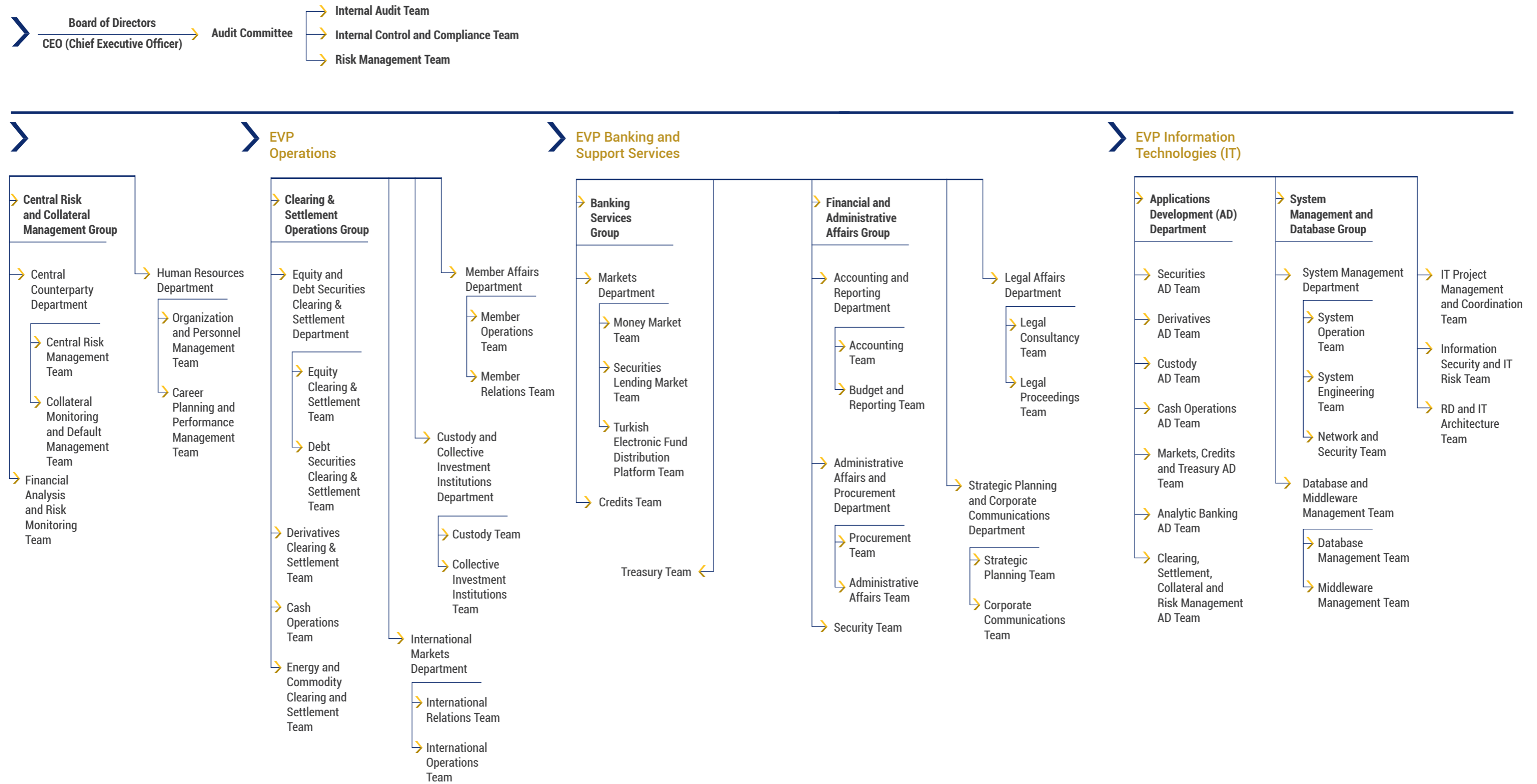
The liabilities arising within the scope of the 6331 numbered Law on Occupational Health and Safety are fulfilled within the Human Resources Department. Along with satisfying the legal compliance requirements by the practices performed, occupational health and safety culture has been formed among the employees and the employees have been included in the processes.

In January, the Employee Satisfaction Survey 2014 has been conducted and according to the survey results, feedback had been received on the working life, processes and operations. Assessments have been initiated in order to develop action for the development of the corporate culture as well as arrangements for the improvement of the working environment and motivation increase.

In June 2014, the competence-based performance assessment system had been put into practice and the competence-based performance evaluation system had been conducted at the end of 2014 again upon the system within the scope of the ERP project. Throughout the year, practices had been performed for a target and competence based, transparent and fair performance assessment system. Individual targets shall be assigned in 2015 on personnel basis and the assessments shall be applied on competence and target basis.



Organization Chart



Board of Directors



MUSTAFA İBRAHİM TURHAN
(Chairman)
02.01.2012 - 10.02.2015

Mustafa İbrahim TURHAN, PhD, born in İzmir-Turkey in 1968, graduated from Lycée de Galatasaray İstanbul (Galatasaray High School) in 1987. After having completed his undergraduate degree in the Faculty of Economics and Administrative Sciences, Department of Management at Bosphorus University in 1993, he joined the Institute for Banking and Insurance Studies at the Marmara University in İstanbul, as research and teaching assistant, where he pursued his graduate studies in financial economics. He received his MA degree in International Banking in 1995, and his PhD degree from the same university in 2001. Mr. Turhan lectured at various universities in İstanbul. He joined the Yeditepe University as an assistant professor, where he worked as the head of the International Business and Trade Department and the Banking and Insurance Management Department. Mr. Turhan also held the positions of Director of School of Vocational Studies and Director of the School of Foreign Languages in the same university. Mr. Turhan served as member of Bank's Council, CBRT (2004-2008) and member of Monetary Policy Committee in 2006-2011 and member of Advisory Board of the Contemporary Turkish Studies Chair established at London School of Economics and Political Sciences (LSE) European Institute. He acted as Deputy Governor at Central Bank between 2008 and 2011.

Mr. TURHAN, who has been assigned as President of Borsa İstanbul on January 1, 2012, had resigned from his office of Board Chairman and CEO of Borsa İstanbul, which he had resumed from April 3, 2013 until February 10, 2015.



BİROL AYDEMİR
(Vice-Chairman)
28.09.2009 - Today

Birol AYDEMİR, born in İliç, Erzincan in 1966, completed his undergraduate study at the Department of Public Finance, Faculty of Political Sciences, Ankara University. Birol AYDEMİR worked as specialist at the General Management of Annual Programs and Conjuncture Assessment, State Planning Organization (1994-2001) and acted as Head of Finance Department in the same unit (2001-2002) and Deputy Secretary, State Planning Organization (2002-2006). He held the office of President, Social Security Institution between 2006 and 2008. Mr. Aydemir worked as Deputy Secretary in State Planning Organization in 2008, Planning Advisor at Washington Embassy for the Republic of Turkey in 2008-2009; and Counselor at Ministry of Labor and Social Security between 2009 and 2011. Mr. Aydemir is currently the Chairman of Turkish Statistics Organization.



MURAT ULUS
(CEO and Board Member)
06.06.2011 - Today

Murat ULUS, born in Kaman, Kırşehir in 1965, graduated from Labor Economics and Industrial Relations, Faculty of Political Sciences, Ankara University. He holds a master's degree from the Department of Financial Economy, Boston University. Mr. Ulus worked as Bank's Sworn Assistant Auditor and later as Bank's Sworn Auditor at Undersecretariat of Treasury between 1987 and 1995. Between 1995 and 1996, Mr. Ulus served as Assistant General Manager of Egebank. He worked as Chief Executive Officer of Bank Asya of which he was the founder between the years 1996 and 2000; later he worked as Vice Chairman of Ulusal Pazarlama ve Satış A.Ş. which he founded in 2001; and held Board Membership at Ziraat Bankası between 2003 and 2006. Until 2011, Mr. Ulus served as the first Chairman of the Economic Cooperation Organization Trading and Development Bank, which he founded in 2007. Mr. Ulus serves as CEO of Takasbank since 2011.



ALİ ŞİR YARDIM
(Board Member)
25.07.2014 - Today

Born in Alanya in 1969, Ali Şir Yardım graduated from the Middle East Technical University, Department of Economics in 1992. Following the training he received at Ziraat Bank Banking School in 1993-1994, Yardım worked as a specialist at Ziraat Bank. During 1995-2012, he worked as assistant auditor, auditor, chief auditor, deputy chief audit executive and Chief of Staff at Borsa İstanbul. He has undertaken additional responsibilities in other capital markets companies. During 2012-2013, he was a member of the auditing committee of İstanbul Settlement and Custody Bank (Takasbank) and the Central Registry Agency (Turkish central depository, MKK). He was appointed as Chief Audit Executive of Borsa İstanbul in April 2013. He is also a member of the Audit Committee of the Management Board of Borsa İstanbul. Yardım has been serving as board member of the Capital Markets Licensing Registration and Training Institution (SPL) since 2013. Yardım undertook active roles in national and continental professional organizations, including posts such as board member and vice chairman of the Institute of Internal Auditing - Turkey in 2006-2010; and board member of the European Confederation of Institutes of Internal Auditing (ECIIA) headquartered in Brussels, in 2007-2010.



SELİM İNCE
(Board Member)
30.03.2013 - Today

Selim İNCE, born in Berlin, Germany in 1971, completed his undergraduate study at Business Administration, Faculty of Economics and Administrative Sciences, Marmara University in 1994. After completing his postgraduate study on Accounting and Finance, at the Business Administration, Institute of Social Sciences at the same university, Mr. İnce started to work as Assistant Specialist at Department of Securities, T. Emlak Bankası in 1994 and later served in the positions of Specialist, Director and Department Manager at Department of Treasury Operations, Ziraat Bankası A.Ş. He still serves as the Head of Treasury Operations Department Ziraat Bankası A.Ş.



EKREM KEREM KORUR
(Board Member)
30.03.2013 - Today

Ekrem Kerem KORUR, born in İstanbul in 1967, completed his studies at Lycée de Galatasaray İstanbul (Galatasaray High School), followed by his undergraduate degree at Department of Economics, School of Economics, and postgraduate studies at İstanbul University and Colorado University. Mr. Korur started to work at Hak Menkul Kıymetler A.Ş. firstly as assistant specialist in 1991 (its title has been changed to Phillip Capital Menkul Değerler A.Ş. in 2012) and respectively as investment specialist, Assistant General Manager and General Manager. Mr. Korur is currently serving as General Manager and Vice Chairman at Phillip Capital Menkul Değerler A.Ş.

Board of Directors



REŞAT KARABIYIK
(Board Member)
03.04.2012 - Today

Reşat KARABIYIK, born in Kilis in 1969, completed his undergraduate education at Faculty of Business Administration, Marmara University in 1992. He worked as Internal Auditor at Yıldız Holding (1993-1994) and respectively as specialist, Assistant General Manager and General Manager at Taç Yatırım Ortaklığı A.Ş. (1994-2006). Mr. Karabiyik has been holding office at Bizim Menkul Değerler A.Ş. as General Manager since 2006.



GÜZİDE MELTEM KÖKDEN
(Board Member)
28.05.2007 - Today

Güzide Meltem KÖKDEN, born in Taşköprü, Kastamonu in 1969, completed her undergraduate study at Department of International Relations, Faculty of Political Sciences, Ankara University in 1990. Ms. Kökden completed her postgraduate study at the European Law, Institute of Social Sciences at the same university. Mrs. Kökden started her business career at T. İş Bankası A.Ş. in 1991 as investment assistant specialist and held various positions as investment specialist, Assistant Manager, Group Manager and Capital Markets Department Manager. Ms. Kökden is now Foundation Manager, Complementary Social Security and Charity Fund for Employees of Türkiye İş Bankası A.Ş. and Chairman at İş Portfolio Management.



DR. SERHAD SATOĞLU
(Board Member)
09.07.2010 - Today

Serhad SATOĞLU, PhD, born in Ankara in 1972, completed his undergraduate study at Business Administration, Faculty of Political Sciences at Ankara University and completed his postgraduate studies at Banking and Insurance Business Institute at Marmara University. He started his business career as Assistant Auditor at Vakıflar Bankası T.A.O. in 1995 and worked as Auditor (1998-2004) at the same bank and as Assistant General Manager at its New York Branch (2004-2006). Mr. Satoğlu has been working as Manager at Vakıflar Bankası T.A.O. and as General Manager and Board Member at Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.

Information on the Attendance of Board Meetings

The Board of Directors convenes at least once a month as per the articles of association of Takasbank and the Board held 15 meetings in 2014.

One member did not to attend each of the meetings held on July 24, 2014 and October 30, 2014, and the two members did not attend the meeting held on March 4, 2014.

All of other members were present in the rest of the meetings.

Summary Board Report

Esteemed Shareholders,

Welcome to the 20th Ordinary General Meeting of Takasbank,

We respectfully greet you, our esteemed shareholders, on behalf of the Board of Directors in this meeting where we present to you the Annual Report including Balance Sheet and Profit / Loss statements concerning the operating results for the accounting year 2014 for review and approval.

The course of the global economic outlook in 2014 has continued within a gradual, but irregular recovery path. Especially starting from the second quarter of 2014, there has been a loss of acceleration in economic activities, the inflation rates have maintained their low levels by the contribution of the rapid decrease in the commodity prices, mainly the oil prices. The uncertainties regarding the normalization process of the global monetary policies maintained their vagueness on the capital movements toward the developing countries throughout 2014 and affected the fluctuating course of the risk premiums. In the last quarter of 2014, where the sensitivity to capital movements was formed according to circumstances specific to the countries, such as the countries' growth, inflation rates and external balances; Turkey was separated from the category of developing countries in a positive aspect.

The uncertainties of the monetary policies of developed countries caused an increase in the volatility of the global markets and a decrease in the risk appetite for the capital markets. Throughout 2014, it was observed that low interest rate environment intensified especially in the non-bank financial sector and in the struggle for mitigating financial vulnerabilities created by this in the global scale, macro-prudential measures instead of monetary policies came to the forefront.

Takasbank, having assumed an important mission in restructuring the Turkish capital markets and developing its infrastructure, carried on its activities in this field in 2014 as well, and had speeded up its practices to increase the stability and sustainability of our country's markets. Within this framework, Takasbank has, in 2014, successfully continued to provide clearing & settlement services, one of the basic powers for improvement of the competitive power of the financial markets in Turkey effectively, uninterruptedly and reliably and according to the international standards in line with its vision.

Conducting its basic activities in an uninterrupted and member/customer-oriented way, our bank had a very successful year in 2014 in terms of both growth and profitability, When compared with the previous year, our net profit increased by 49% and reached to TL 121,5 million.

Takasbank, which has been specified as "Central Clearing Institution" of Turkey by the Capital Markets Law number 6362, and which has started to provide service in the central counterparty role on the Takasbank Securities Lending Market since September 2, 2013 for the first time, has also started to render this service for Borsa İstanbul Futures and Options Market since March 3, 2014.

Intending to provide central counterparty services in other markets hereinafter, Takasbank has strengthened its capital structure to meet this goal. During the year 2014, our Bank's paid up capital increased from 420 million TL to 600 million TL, with its shareholder's equity reaching 800 million TL by the end of the year.

With an objective to expand its service profile and continuously increasing its service quality, Takasbank started to provide portfolio custody services to portfolio

management companies within the scope of the "Communiqué on Portfolio Management Companies and Activities Of Such Companies"; it realized fundamental changes in the Platform structure to increase the efficiency of the Turkey Electronic Fund Trading Platform; it became a member to the European Association of CCP Clearing Houses (EACH) and it obtained ISO 27001 Information Security Management System and ISO 22301 Business Continuity Management System certificates as a result of the audits executed by the independent audit firms.

Having invested in the field of information technologies and infrastructures in 2014, Takasbank, put into use the Agile Conversion Program, which is a more modern approach in its IT projects practices; also the ERP Project was put into practice in order to ensure the monitoring and management of the processes related to the Human Resources, Budget, Purchasing-Supplier Management and Finance-Accounting Practices on the "E-Business Management Software"; the ISYSWin application was put into use which Takasbank developed entirely by its own resources and which ensures the monitoring and management of the Business Continuity Management Processes within automation. Besides, the practices related to the project of the renewal of our Bank's clearing infrastructure within the framework of the strategic partnership practices conducted by our major stakeholder Borsa İstanbul A.Ş. with Nasdaq, had been carried on at full speed. With this project, Takasbank shall be able to achieve gains with regard to the central risk and collateral management, convergence to internationally accepted practices, increase of its cooperations with the reputation to be ensured, fulfillment of international commitments and compliance with standards as well as the realization of the İstanbul Finance Centre Project priorities.

Our Bank, holding a significant place in terms of the development of the Turkish capital markets, has had a successful year and shall continue to carry on this success in the future years as well by means of the support of you, our dear shareholders.

Our Dear Shareholders,

While submitting our Annual Report including the Balance Sheet and Profit/Loss statements showing our works of the year 2014, we do hereby express our gratitude, in the first instance, to the esteemed executives of our capital markets and their personnel, for their support and to yourselves, our dear shareholders and their representatives who have not withheld their confidence in our Bank and have honored our General Meeting.

Yours Faithfully,

İstanbul Takas ve Saklama Bankası A.Ş.
On behalf of the Board of Directors;

Birol AYDEMİR
Vice-Chairman of the
Board of Directors



Murat Ulus
CEO and Member of the
Board of Directors



Senior Management

Executive Management



MURAT ULUS

CEO and Board Member

Term of Office: 06.06.2011 - Currently holds this position

Academic Background:

Bachelor's degree: Ankara University, Faculty of Political Science, Department of Labour Economics and Industrial Relations

Master's degree: Boston University, Financial Economics

Professional Experience:

1987-1995: Undersecretariat of Treasury - Banks Sworn Assistant Auditor, Banks Sworn Auditor

1995-1996: Egebank - Assistant General Manager

1996-2000: Bank Asya - Founder and first CEO

2001-2002: Ulusal Pazarlama ve Satış A.Ş. - Founder and Vice-Chairman of the Board of Directors

2003-2006: Ziraat Bankası A.Ş. - Member of the Board of Directors

2007-2011: Economic Cooperation Organization Trade and Development Bank - Founder and first Chairman

2011-Present: İstanbul Takas ve Saklama Bankası A.Ş. - CEO and Board Member



SEZAI BEĞÖZ

Executive Vice President

Term of Office: 13.04.2007 - Currently holds this position

Responsibility: Clearing and Settlement Operations Group, Member Affairs Department, Custody and Collective Investment Institutions Department, International Markets Department

Academic Background:

Bachelor's degree: Ankara University, Faculty of Political Science, Department of Economics

Master's degree: İstanbul University, Institute of Social Sciences, Capital Markets and Stock Exchanges

PhD: Marmara University, Institute of Banking and Insurance

Professional Experience:

1983-1992: Capital Markets Board - Assistant Auditor, Auditor

1992-2007: Borsa İstanbul A.Ş. - Chairman and Vice-Chairman of the Inspection Committee

2007-Present: İstanbul Takas ve Saklama Bankası A.Ş. - Executive Vice President



CENGİZ ÖZÜBEK

Executive Vice President

Term of Office: 30.01.2013 - Currently holds this position

Responsibility: Banking Services Group, Treasury Team, Strategic Planning and Corporate Communications Department, Financial and Administrative Affairs Group, Human Resources Department, Legal Affairs Department

Academic Background:

Bachelor's degree: Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration

Master's degree: Marmara University, Institute of Banking and Insurance

PhD: Marmara University, Institute of Banking and Insurance

Professional Experience:

1994-Today: İstanbul Takas ve Saklama Bankası A.Ş. - Assistant Auditor, Auditor, 2nd Manager, Assistant Manager, Manager, Director, Executive Vice President

2012-Present: Merkezi Kayıt Kuruluşu A.Ş. - Board Member



GALİP KARAGÖZ

Executive Vice President

Term of Office: 30.01.2013 - Currently holds this position

Responsibility: Applications Development Department, System Management and Database Group, IT Project Management and Coordination Team, Information Security and IT Risk Team, R&D and IT Architectural Team

Academic Background:

Bachelor's degree: Bosphorus University, Computer Engineering

Master's degree: Beykent University, Institute of Social Sciences, Business Management

Professional Experience:

1991-1997: Bima Bilgisayar A.Ş. - Software Development Director

1997-1999: Escort Yazılım A.Ş. - Software Development Manager

1999-2005: Globis Bilişim A.Ş. - Project Manager

2005-2012: Fintek Finansal Teknoloji Hizmetleri A.Ş. - Director

2012-Today: İstanbul Takas ve Saklama Bankası A.Ş. - Executive Vice President

2012-Present: Merkezi Kayıt Kuruluşu A.Ş. - Vice Chairman of the Board of Directors

Senior Management

Heads of Internal System Departments



LATİF CEM ÖSKEN

Term of Office: 21.06.2013 - Currently holds this position

Responsibility: Internal Audit

Academic Background:

Bachelor's degree: Dokuz Eylül University, Business Administration Department (in English)

Master's degree: Bosphorus University, Management Information Systems

Professional Experience:

2006-2007: Şekerbank T.A.Ş. - Assistant Auditor

2008-Present: İstanbul Takas ve Saklama Bankası A.Ş. - Assistant Auditor, Auditor, Senior Auditor, Senior Specialist, Chief Auditor, Acting Manager



ELVAN ALTİKULAÇ

Term of Office: 01.11.2011 - Currently holds this position

Responsibility: Corporate Risk Management

Academic Background:

Bachelor's degree: Ankara University, Faculty of Political Science, Department of Public Administration

Master's degree: Marmara University, Institute of Banking and Insurance, Banking

Professional Experience:

1999-2001: Yaşarbank A.Ş. - Assistant Auditor

2001-Present: İstanbul Takas ve Saklama Bankası A.Ş. - Assistant Auditor, Auditor, Chief Inspector, Assistant Manager, Manager



Dr. HASAN AYKIN

Term of Office: 01.07.2006 - Currently holds this position

Responsibility: Internal Control and Compliance

Academic Background:

Bachelor's degree: Bosphorus University, Faculty of Economics and Administrative Sciences, Department of Economics

Master's degree: Marmara University Institute of Banking and Insurance Institute, Capital Market and Stock Exchange

PhD: Kadir Has University, Institute of Social Sciences, Banking and Finance

Professional Experience:

1993-1995: Medya Holding A.Ş. - Capital Markets Assistant Coordinator

1995-Today: İstanbul Takas ve Saklama Bankası A.Ş. - Assistant Auditor, Auditor, Project Manager, Assistant Manager, Chief Auditor, Manager

Senior Management

Directors



MEHMET AYHAN ALTINTAŞ
Central Risk and Collateral Management



MURAD TULUNAY
System Management and Database



TUNCAY YILDIRAN
Clearing & Settlement Operations



ZİYA MEHMET GÜNAL
Banking Services

Managers



ALİ OSMAN İNAL
IT Project Management
and Coordination Team



ASLI MELEK ÖZKAN
Legal Affairs Department



ATA ORKAN GENÇ
Database and Middleware
Management Team



ELVAN ALTİKULAÇ
Risk Management Team



HASAN AYKIN
Internal Control and Compliance
Team



HÜLYA ÜNAL
Custody and Collective Investment
Institutions Department



LATİF CEM ÖSKEN
Internal Audit Team

Senior Management

Managers



MEHMET ERCÜMENT ARI
Information Security and IT Risk
Team



MEHMET ŞENSÖZ
System Management Department



MELTEM ALTINKAYA
Markets Department



MURAT GÖRGÜN
Accounting and Reporting
Department



NAZİFE ZEHRA TAŞ
Administrative Affairs and
Procurement Department



NAZİR AKBULUT
Security Team



NECDET ŞAHİNKÜÇÜK
Human Resources Department

Managers



NECLA KÜÇÜKÇOLAK
Derivatives Clearing & Settlement
Team



NİYAZİ BURAK AKAN
Central Counterparty Department



OSMAN AKSOY
Member Affairs Department



SADIK KALAYCI
Strategic Planning and Corporate
Communication Department



SİBEL YAPRAK
Cash Operations Department
(retired as per 24.11.2014)



ŞEBNEM KOCATÜRK
Equity and Debt Securities
Clearing & Settlement Department



ZEYNEP ŞAHİN
International Markets Department

Committees and Attendance at Committee Meetings

Audit Committee

Duties and Liabilities

- The Audit Committee monitors the efficiency and capability of the internal systems of the Bank, the functioning of these systems as well as the accounting and reporting systems in the framework of the related Law and regulations, and the integrity of the processed data.
- The Audit Committee provides preliminary evaluations to the Board of Directors regarding selection of the independent audit company as well as rating, valuation and support (outsourcing, etc.) service institutions.
- The Audit Committee regularly assesses the activities of the independent audit, rating, valuation and support service organizations appointed by the Board of Directors and with which contracts are signed.
- According to the regulations that entered into force based on the related law, the Audit Committee ensures the consolidated maintenance and alignment of the internal audit processes of partnerships subject to consolidation.

Members

Dr. Serhad SATOĞLU (Board Member)
Ali Şir YARDIM (Board Member)

Frequency of Meeting

Quarterly

Information About Participation in Meetings

In 2014, 18 meetings were held with the full attendance of the Audit Committee's chairman and members.

Credit Committee

Duties and Liabilities

The Credit Committee allocates credit lines as per the Banking Law and related regulations and within the framework of the authority granted by the Board of Directors.

Members

Murat ULUS, Chairman (CEO and Board Member)
Güzide Meltem KÖKDEN (Board Member)
Reşat KARABIYIK (Board Member)

Frequency of Meeting

-

Corporate Governance Committee

Information About Participation in Meetings

Pursuant to the 250 numbered resolution of April 11, 2013 of the Board of Directors, Murat ULUS was elected as Chairman of the Credit Committee, Güzide Meltem KÖKDEN and Reşat KARABIYIK as full members of the Credit Committee, and Ekrem Kerem KORUR and Selim İNCE as substitute members of the Credit Committee.

Takasbank Credit Committee did not convene in 2014 and all cash and non-cash credit limits were determined by the Board of Directors.

Duties and Liabilities

- The Corporate Governance Committee gives assistance to the Bank's Board of Directors in establishing mission and vision of the Bank and oversees the operations of the Bank which are conducted in compliance with such mission and vision.
- The Corporate Governance Committee acts as a leader in the formation of the corporate values and ethical rules and gives support to the operations in this matter.
- The Corporate Governance Committee determines any conflicts of interest arising from failure to provide full compliance to the corporate governance principles and ensures formulation of necessary policies to manage such conflicts of interest.
- The Corporate Governance Committee monitors development and update process of the standards, policies, instructions and implementing procedures concerning the activities and operations of the Bank.
- The Corporate Governance Committee assesses social responsibility projects.
- The Corporate Governance Committee reviews significant complaints and requests concerning the corporate governance practices and presents its comments and suggestions to the Board of Directors.

Members

Birol AYDEMİR (Vice-Chairman)
Selim İNCE (Board Member)

Frequency of Meeting

Semi-annually

Information About Participation in Meetings

Corporate Governance Committee convenes once in six months regularly and held two meetings in 2014 with full attendance.

Strategic Coordination Committee

Duties and Liabilities

- The Strategic Coordination Committee considers and approves strategic targets to achieve vision of the Bank on the basis of the mission, vision and basic values of the Bank as well as the initiatives to put them into effect; monitor progressive steps periodically and decides on necessary changes.
- The Strategic Coordination Committee considers and approves applicability of the feasibility analysis of the improving actions of the company in accordance with the Continuous Service Improvement Process; evaluates the progressive steps of the improving actions of the company in the portfolio and decides on necessary changes. and approval of the strategic targets which shall realize the Bank's vision and the initiatives to realize these, based on the Bank's mission, vision and basic values, the periodical observation of the progress steps and taking the decisions for the necessary changes.

Members

Murat ULUS (CEO and Board Member)
 Executive Vice Presidents
 Directors
 Heads of Internal System Departments
 Manager of Strategic Planning and Corporate Communication Dept.

Frequency of Meeting

Quarterly

Information About Participation in Meetings

The Strategic Coordination Committee convenes periodically in quarterly intervals and had convened 3 times in 2014.

Asset-Liability Committee

Duties and Liabilities

- Discussing The Asset-Liability Committee discusses and evaluates the Bank's balance sheet, income statement, revenue and cost accounts, its budget and fund management strategy, as well as the implications of local and global developments in money and capital markets for the Bank.
- The Asset-Liability Committee designs prospective policies for the Bank based on the current data.

Members

Murat ULUS (CEO and Member of the Board of Directors)
 Executive Vice Presidents
 Director, Cash Credit Team and the Markets Department
 Director, Clearing & Settlement Operations

Director, the Central Risk and Collateral Management
 Manager of the International Markets Department
 Manager, Treasury Team
 Manager, Accounting and Financial Reporting Department
 Manager, Markets Department
 Manager, Risk Management Team

Frequency of Meeting

Monthly

Information About Participation in Meetings

The number of members having attended the meetings held in 2014 is as follows:

Month	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Number of Participating Members	13	12	12	13	10	12	11	11	12	12	12	12

Information Technologies Committee

Duties and Liabilities

- Performance Analyses and ensures prioritization of the benefit-cost analysis of the project portfolio in accordance with the information technologies strategic plan made in accordance with the Bank's strategic plan.
- Evaluates status of the projects and monitors efficiency and effectiveness of use of the information systems and human resources of the Bank.

Members

Murat ULUS (CEO and Board Member)
 Executive Vice Presidents
 Directors
 Managers, IT
 Manager, Information Security and IT Risk Team

Information About Participation in Meetings

The Information Technologies Committee convenes periodically once in 2 months and had convened 4 times in 2014.

Takasbank Related Party Transactions



Within the scope of related-party transactions of Takasbank, the transactions performed by Borsa İstanbul A.Ş. (BIAS)- which is Takasbank's major shareholder and the holder of its qualifying shares- and the transactions performed by the members of the Board of Directors of the Bank with other corporations, of which they are a Board member or General Manager, are taken into account. Takasbank is responsible for the settlement of trades in the Equity, Debt Securities and Futures and Options Markets at BIAS.

In the event that members who trade in the Equities Market, Debt Securities Market and Futures and Options Market operating at BIAS do not fulfill their settlement obligations on time, default provisions are applied and a default penalty is collected from members for these transactions. The default penalties collected from members are transferred to BIAS's guarantee account or guarantee funds in the respective market. Furthermore, BIAS Equities and Debt Securities Guarantee Account and Futures and Options Guarantee Fund were established to ensure that settlement obligations are fulfilled on time in transactions performed in any of the markets operating under BIAS and to prevent the members to be aggrieved in any way in the event of default. On Takasbank's balance sheet, under the account item of Other Debts/Obligations, a balance of TL 31,758 thousand in the Equities Market guarantee account and TL 103 thousand in the Debt Securities Market guarantee account as of December 31st, 2014.

The balance in the BIAS Equities and Debt Securities Guarantee Account is invested by Takasbank in the interbank secondary money market within the scope of a protocol signed between Takasbank and BIAS. The Bank earns interest income in return as a result of these transactions. The Bank gained interest and commission revenues of TL 2,924 thousand from related-party transactions in 2014.

CONVENIENCE TRANSLATION OF THE REPORT ON COMPLIANCE OF ANNUAL REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the General Assembly of İstanbul Takas ve Saklama Bankası A.Ş.:

We have audited the compliance and consistency of the financial information included in the annual report of İstanbul Takas ve Saklama Bankası A.Ş. ("the Bank") as of 31 December 2014 with the audited financial statements and explanatory notes. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on compliance and consistency of the financial information included in the annual report with the financial statements subject to independent auditor's report dated 20 February 2015.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Law No.5411 and independent auditing principles that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and Article 397 of Turkish Commercial Code ("TCC") No. 6102. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is consistent with the audited financial statements and explanatory notes and free from material misstatement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of İstanbul Takas ve Saklama Bankası A.Ş. at 31 December 2014 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Law No.5411 and includes a summary of the Board of Directors' report and the convenience translations of independent auditor's reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements and explanatory notes originally issued in Turkish.

Other Responsibilities Arising From Regulatory Requirements

Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of İstanbul Takas ve Saklama Bankası A.Ş..

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Haluk Yalçın, SMMM
Partner

Istanbul, 25 February 2015

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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www.pwc.com/tr Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050

Corporate Governance Principles Compliance Report

Part I - Corporate Governance Principles Compliance Statement

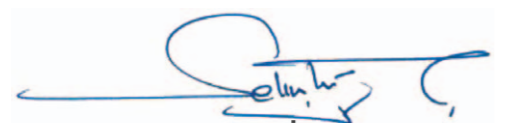
Article 36 of the Capital Markets Law number 6362 (Law) comprises the provision that the first and second paragraphs of the Law's article 17 related to corporate governance shall also be applied by analogy in terms of the capital markets agencies. Since pursuant to the Law's provisional article 8, İstanbul Takas ve Saklama Bankası A.Ş. (the Bank) is a central clearing agency and central clearing institutions are also considered as capital market institutions in article 35 of the Law, the present Corporate Governance Compliance Declaration has been issued based on the Report format attached to the Corporate Governance Communique number II-17.1 of the Capital Markets Board (CMB).

By the articles of association updated in the framework of the Law, it has been stipulated that the Bank shall by analogy comply with the corporate governance principles stated in the first and second paragraphs of the Law's article 17 in all of its activities; by means of the amendment made in article 11 of the articles of association with the heading "Committees Associated to the Board of Directors", the "Corporate Governance Committee" (Committee) has been formed in the Bank at the meeting number 250 dated April 11, 2013 of the Bank's Board of Directors; whereas, at its meeting number 251 dated April 29, 2013, the "Regulation of the Takasbank Corporate Governance Principles" prepared related to the implementation of the corporate governance principles and to the working procedures and principles of the Corporate Governance Committee has been approved and has come into force.

The Bank has adopted the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by the CMB, and has aimed at complying with these principles in its activities to the greatest extent.

As mentioned above, it is provided that the capital market organizations, including companies publicly traded companies or deemed so should comply with the Communiqué issued by CMB by analogy. The Bank shall comply with all the principles set forth in the "Regulation on the Principles of Takasbank Corporate Governance" (Regulation) unless it is identified by CMB as to which principles in the Communiqué can be obligatorily complied by.

Yours Faithfully,



Selim İNCE
Member, Corporate Governance Committee
Board Member



Bülent AYDEMİR
Chairman, Corporate Governance Committee
Vice-Chairman

Part II - Shareholders

2.1. Investor Relations Department

Our Bank's management aims at communicating with the investors in a transparent and responsible manner and has adopted the principle of treating each shareholder equally. The department of investor relations had not been formed in our Bank. For the sake of managing and strengthening the relations with the investors, the Department of Strategic Planning and Corporate Communication as well as the Accounting and Reporting Department is available in the Bank. The Executive Vice President responsible from these departments is constantly in contact with the Committee.

With respect to relations with the investors during the period, the below activities were carried out by the related units:

- 1) Ensuring that the records of the investors are kept accurately, reliably and up-to-date,
- 2) Providing written responses to the requests of the shareholders about the Bank, except any confidential business information not disclosed publicly;
- 3) Ensuring that the General Assembly Meeting is held as per the applicable legislation, articles of association and other internal by-laws of the Bank;
- 4) Preparing the Annual Report for the financial year having ended, which the shareholder may make use of during the General Meeting,
- 5) Ensuring the voting results of the General Meeting are recorded and the reports of the results are sent to the shareholders;
- 6) Executing the capital increase transactions,
- 7) Pursuing and following up any matter related to public disclosure as per the applicable legislation and the information policy of the Bank,
- 8) Announcing of the developments and term's financial data related to the Bank to the investors in a timely manner, keeping the investor relations part in the Bank's web site updated,
- 9) Conducting practices for the development of the Bank's corporate governance applications and submitting them to the Committee assessment.

Throughout 2014, the information inquiries coming from the shareholders related to their shares in our Bank have been responded by the respective units. The information inquiries of our shareholders had especially focused on capital increase. Information inquiries by our shareholders related to the grounds for the capital increase and the restriction of the stock rights of the shareholders except for Borsa İstanbul A.Ş. and the provision of the entire increased cash capital by Borsa İstanbul A.Ş., the calculation of the stock right exercise price determined with premium, the inquiries of our shareholders who wish to acquire or sell their share prices in this regard, the delivery of the new share certificates have been responded by the Accounting and Reporting Department.

2.2. Exercise of the Right to Information By Shareholders

Our Bank shows the necessary sensitivity in ensuring to grant right to information to the shareholders as specified in the provisions of the Turkish Commercial Code and Banking Law (related legislation). No discrimination is made among the shareholders with respect to exercise of the right to information. Therefore, our Bank keeps the necessary communication channels open in order to answer the shareholders' information requests.

The Committee plays an active role in preserving and facilitating the execution of the rights arising from the share ownership, including the right to information and review. The committee is responsible for presentation of the information and explanation that may affect exercise of the rights to the shareholders.

General letters indicating the developments related to the Bank, financial information and news are regularly published in our Bank's corporate website at the address www.takasbank.com.tr. Besides, in the section 'Information Society Services' accessible through the website, the contents to be announced in the website pursuant to article 1524 of the Turkish Commercial Code is published in an updated form.

The appointment of a special auditor is not arranged as a right in the articles of association. The Bank management avoids acts to complicate special audit. Pursuant to the Turkish Commercial Code no. 6102 and the mandatory provisions of the Bank's Regulation on the Principles of Corporate Governance, the shareholders may request special audit for inspection of some events provided that the right to information and inspection is exercised in advance. The shareholders may request these rights severally in the general assembly even if the matter is not included in the meeting agenda.

The Bank did not receive any request for appointment of a special auditor during the period.

2.3. General Assembly Meetings

The procedures and summons of the General Meeting attendance are publicly disclosed in the document "Internal Directive on the Working Principles and Procedures of the General Meeting" included in the section 'Legal Framework' of our Bank's corporate website.

Our Bank's meetings of the General Assembly are held pursuant to the provisions of the relevant regulation. The meeting of the General Assembly during which the activity results of the year 2014 are assessed had been held on March 28, 2014. The quorum of the Ordinary General Meeting had been realized as 97.79%.

The meeting of our General Assembly had been held at the premises of Borsa İstanbul A.Ş., in a manner not causing any inequality among the shareholders, and with minimum cost for the shareholders as far as possible.

In order to ensure our shareholders' participation in the General Assembly, the invitation and agenda including venue and date of the meeting and other information and documents for attendance of our shareholders at the general assembly meeting were sent timely and published in the Turkish Trade Registry Gazette number 8517 dated February 27, 2014 and the newspaper Hürses dated February 23, 2014 as well as in the Bank's website.

The Bank's Annual Report for the year 2014 containing the Balance Sheet and Income Statement for the accounting period of Jan.1, 2013 - Dec.31, 2013 as well as the Independent Audit Report, which have been prepared related to the Ordinary General Assembly, the amendments to the articles of association and the "General Assembly Meeting Briefing Document" had been shared with the shareholders and announced in our corporate website within the legal period.

The questions received from the shareholders after announcement of the date of the ordinary general assembly meeting were answered by the Accounting and Reporting Department. As explained in the first section of the report; intense inquiries for information had been received from our shareholders about the 12th agenda point related to the amendment draft of the articles of association of the 19th Ordinary General Assembly Meeting's agenda. There had been requests for information on the increase of our capital from 420 million TL to 600 million TL, whereof 120 million TL shall be bonus issues and, 60 million TL shall be rights issues; the waiver of the subscription right of the shareholders except for Borsa İstanbul A.Ş. and the provision of the entire increased cash capital by Borsa İstanbul A.Ş.; the calculation of the stock rights exercise price determined with premium as well as the necessary procedures to be fulfilled by our shareholders who wish to acquire or sell their share values.

At the General Assembly meeting, the matters presented in the agenda were communicated impartially and in detail by a straightforward and understandable way and opportunity of commenting and questioning was given to the shareholders under equal conditions.

During the Ordinary General Meeting our shareholders have forwarded their requests related to the agenda to the chair of the meeting through motions. Concerning the items 1, 7, 8 and 10 of the General Assembly Meeting's agenda, 4 motions submitted by our shareholders had been voted and accepted in the General Assembly Meeting. Our shareholders that taken floor in the General Assembly Meeting, had not raised any additional question to the chair of the meeting related to the agenda, and have expressed their thanks to the Bank's management and employees.

The poll was held openly by show of hands in the general assembly meeting.

The minutes of the general assembly meeting was sent by fax and/or e-mail to the shareholders upon request, and, subsequently, posted on the company's website.

The shareholders, members of the Board of Directors and members of the Audit Committee, officers responsible for preparation of the financial statements, authorized officer of the independent audit firm and other related Bank personnel attended the general assembly meeting; whereas the media organizations did not attend.

2.4. Voting Rights and Minority Rights

Our Bank's shareholders are comprised of Borsa İstanbul A.Ş. as well as banks and brokerage houses.

The shareholders exercise their voting rights pro rata the total nominal value of their shares. Each share has one voting right. There is not any privilege granted to any share group for the voting right.

The share of each shareholder, except for Borsa İstanbul A.Ş., may not exceed, directly or indirectly, 5% of the Bank's capital. As per the end of 2014; 62.25% of the Bank's capital belongs to Borsa İstanbul A.Ş., 17.78% to 13 banks, and 19.97% to 40 brokerage houses.

The Bank's articles of association does not include any special provision related to the execution of the minority rights or to cumulative voting.

Pursuant to article 195 related to the holding and affiliated company of the Turkish Commercial Code (TTK), as per the present status, Borsa İstanbul A.Ş. is the holding company in the group of companies system, whereas our Bank and the Central Registry Agency are considered as affiliates. Along with the fact that our Bank holds a nominal share of 634,851 TL in the capital of Borsa İstanbul A.Ş., it is not entitled to vote in the General Assembly Meetings of Borsa İstanbul A.Ş. pursuant to article 389 of the Turkish Commercial Code.

2.5. Dividend Rights

Our Bank's profit share distributions are realized by the resolutions taken at the General Assembly Meetings. The proposals determined by the Board of Directors within the framework of Dividend Policy are submitted to the agenda of the general assembly meeting and the Dividend Policy is not posted on the corporate website

No privilege among the shareholders has been specified for distribution of dividend. Each shareholder is entitled to receive a pro-rata dividend.

In 2014, in order to fulfill our commitments resulting from new functions, no dividend has been issued to shareholders in order to enhance the robustness of our capital and financial structure.

2.6. Transfer of Shares

Pursuant to the Bank's articles of association and in accordance with the article 493 of the Turkish Commercial Code and also provided that it is not contrary to the capital market regulation; the shares may only be allocated among exchanges, which are established pursuant to the Capital Market Law, and their members as well as investment organizations, collective investment schemes, portfolio management companies, mortgage financing organizations, central clearing and settlement institutions, central custody institutions, publicly held joint-stock companies whose share certificates are traded on organized markets and private pension companies founded pursuant to the Private Pension Savings and Investment System Law.

The share of each associate, except for Borsa İstanbul A.Ş., may not, directly or indirectly exceed 5% of the Bank's capital.

The shares representing the shares of Group A belong exclusively to Borsa İstanbul A.Ş. New shares of Group A may not be created by capital increase.

Part III – Public Disclosure and Transparency

3.1. Corporate Website and its Contents

Bank's website, www.takasbank.com.tr designed in Turkish and English, is actively used. On the Bank's website, the compliance with the values stated in the Corporate Governance Principles is targeted as appropriate.

On the website; general information about the bank as well as information about the articles of association, general assembly meetings, Bank regulations, unconsolidated financial statements and reports, annual reports and interim operating reports are published. Furthermore, "Information Society Services" section includes all information and documents as per the mandatory provisions of the Regulation Regarding the Websites to be created by Companies as published by the Ministry of Customs and Trade in the Official Gazette of May 31, 2013.

3.2. Annual Report

The present Corporate Governance Compliance Statement prepared on the basis of the report format determined by the Capital Markets Board pursuant to article 8 of the Corporate Governance Communique No. II-17.1 of the Capital Markets Board is included in the Bank's Annual Report.

Part IV - Stakeholders

4.1. Informing the Stakeholders

Stakeholders have access to information related to the Bank through the meetings, presentations as well as news shared with the print and visual media and via company's website. Furthermore, we also have an intranet service used solely for the information and communication of our employees.

Notification of our personnel about the Bank's general activities and practices is fulfilled through the transmission of e-mails, the Bank's intranet site and internal bulletins.

4.2. Participation of Stakeholders in the Management

The Bank is regularly in contact the stakeholders, the requests submitted by them to our Bank are evaluated and suggestions for solution are developed.

The function of receiving personnel suggestions is fulfilled by means of meetings, questionnaires, which are organized in certain periods and also by the assessment of notices made through the Bank's intranet.

In order to establish communication channels through which the bank personnel may communicate to the related management levels and departments about problems they encounter and matters they have any doubt and hesitation, a "Procedure for Notification of any Irregularity, Problem or Suspicious Items in the Bank" was generated and openly posted on the intranet of the Bank for access by all personnel.

The requests and suggestions of our members and customers related to our Bank's services are enquired regularly via service satisfaction surveys and customer visits arranged in certain intervals and all such requests are evaluated.

With respect to all services provided by our Bank, we consider the satisfaction of the Bank's customers, i.e. the members and market participants, as one of its primary targets. For this purpose, the satisfaction of the customers is measured by means of methods such as surveys, meetings, collection of requests, and all incoming requests are duly evaluated.

Apart from the customer visits made in 2014, 'Takasbank Service Satisfaction Survey' was conducted, containing of 4 main sections in which the service-based and systems' evaluations as well as training requirements, opinions, criticisms and requests are collected.; A total of 312 organizations including brokerage houses, banks, pension companies, mutual trusts, portfolio management companies, electricity companies and participation banks, had participated in the survey. Upon review of the results, it was seen that the level of general satisfaction with the Takasbank services, which was 83% in 2013, has increased to 88% in 2014.

The survey results and the opinions and suggestions expressed by the customers had been evaluated by the Executive Management and the necessary actions had been taken for each suggestion expressed by the customers, particularly training requests, user-friendly screens, performance and speed, the design of the screens, reporting and various process improvement requests.

The Bank adopts continuously improving and developing the services through Continuous Service Improvement Program as a mission.

The complaints, suggestions and requests of the public are evaluated provided that they are communicated to the Bank via the e-mail addresses in our Bank's website.

4.3. Human Resources Policy

The human resources policy of the Bank is public and available at the website www.takasbank.com.tr.

It is the responsibility of the related Executive Vice President at first level and then the CEO for the implementation of the human resources policy in the bank.

The human resources policy of the Bank is briefly, implementing fair and transparent policies to recruit highly qualified personnel with the most appropriate skills in order to provide clearing, settlement and custody services at the highest national and international standards. The personnel is appointed in appropriate roles, where they may deliver performance to the maximum extent and show their creativity and dynamic working spirit while improving their personal and professional skills. The personnel is permanently supported for their personal and professional developments and applied fair and transparent rewarding policies.

The educational levels foreseen for the personnel to be recruited according to their title had been determined within the framework of our Personnel Regulation, and the properties sought at the stage of recruitment are determined by the relevant business units in accordance within the scope of the work to be performed.

The title-based qualifications of our personnel had been determined and the performance assessment system based on the competences for 2014 had been applied, and in 2015, the business objective based performance assessment system will be started to applied along with the competences.

The Employee Satisfaction Survey was conducted periodically and feedback had been received regarding the working life, processes and operations according to the survey results. The assessments had been initiated in order to develop actions suitable for the development of the corporate culture by means of arrangements for the improvement of the working environment and increase of motivation.

There has not been any incoming complaint from our personnel regarding any discrimination.

Quality and customer orientation, analytic approach, team spirit, continuous development, devoted working, reliability, impartiality and confidentiality, which constitute the basis of our human resources policy, represents our basic values.

The liabilities arising from the scope of the Occupational Health and Safety Law are fulfilled by the Human Resources Department and by the practices performed. Besides the legal compliance requirements being fulfilled; occupational health and safety culture had been formed among the employees, thus the employees had been integrated into the processes.

4.4. Code of Ethics and Social Responsibility

The Bank either creates or gives support to the projects that contribute to the social development of the society, drawing attention to the social problems, particularly to education.

The Bank commissioned construction of Takasbank Fine Arts and Sports High School in the city of Siirt and still continues to give support to meet the requirements of the high school. Thanks to its institutionalized structure and personnel with high social sensitivity, the Bank conducts social responsibility projects by taking into account the demands and contribution of the organizations/agencies and their personnel with which it has connections.

The Takasbank Board of Directors has determined the ethical rules to be applicable for the Bank's practices and the said rules had been shared with the entire Bank personnel but had not been disclosed to the public.

Part V – Board of Directors

5.1. Structure and Formation of the Board of Directors

As per the provisions of the Bank, the general assembly meeting selects members of the Board of Directors, consisting of 4 (four) members to be nominated by Borsa İstanbul Anonim Şirketi, Class-A Shareholder, 2 (two) members nominated by the banks as Group-B shareholders and 2 (two) nominated by the brokerage houses as Class-B shareholders. CEO is the member of the board by nature pursuant to the Banking Law.

Three of the Board members to be appointed among the candidates nominated by the shareholder of Group A, shall act as Independent Board members. At least two of the persons had to work as Independent Board members and should not be

in any direct or indirect employment relation with the shareholding associate of Group A.

The preconditions for the Bank's Board members are determined within the framework of the provisions of the relevant regulation.

The office term of the Board Members is 2 years. They may be reselected or reappointed within the framework of the provisions of the Bank's articles of association, the number of the Board members is 9 (nine). The members' names and surnames are given below and Mr. Birol Aydemir, Mr. Ali Şir Yardım and Mr. Selim İnce are Independent Board members. Apart from the Bank's CEO, the members of the Board of Directors are not on any executive duty. The members' background information is continuously updated and posted in the web site's 'Information Society Services' section and also included in the Bank's Annual Report.

Mustafa İbrahim TURHAN*	Chairman
Birol AYDEMİR	Vice Chairman - Head of Corporate Governance Committee
Murat ULUS	CEO and Board Member - Head of Credit Committee
Ali Şir YARDIM	Board Member - Member of Audit Committee
Selim İNCE	Board Member - Member of Corporate Governance Committee
Ekrem Kerem KORUR	Board Member
Reşat KARABIYIK	Board Member - Credit Committee Member
Güzide Meltem KÖKDEN	Board Member - Credit Committee Member
Dr. Serhad SATOĞLU	Board Member - Chairman of Audit Committee

5.2. Acting Principles of the Board of Directors

The Board of Directors convenes at least once in a month and meetings may be held more frequently in cases if deemed necessary. The Chairman of the Board of Directors or the Vice-Chairman, absence of the former, is authorized to convoke the Board of Directors for a meeting and determine the agenda. However, each of the members is entitled to request from the Chairman of the Board of Directors the convocation of the Board of Directors or the inclusion of an item on the agenda.

The Board of Directors convenes by the absolute majority of the number of members and resolutions are taken by the majority of the votes of those attending the meeting.

The procedures and fundamental principles related to the activities and meetings of the Board of Directors are stated in our Bank's articles of association.

* Chairman of the Board of Directors Mr. Mustafa İbrahim Turhan had resigned from his office as of Feb. 10, 2015.

The Board of Directors, which is convening at least monthly pursuant to the Bank's articles of association, had held 15 meetings in 2014. Each of the meetings held at the dates July 24, 2014 and October 30, 2014, had not been attended by 1 member, the meeting held on March 4, 2014 had not been attended by 2 members. The meetings apart from the above had been attended by all of the members.

5.3. The Number, Structure and Independency of the Committees Formed Under the Board of Directors

In accordance with the liabilities laid down in the applicable legislation, the Audit Committee, the Credit Committee and the Corporate Governance Committee were formed by the Board of Directors of Takasbank in order to provide assistance regarding the practices and operations.

The Credit Committee is comprised of two members selected among the members having the qualifications specified by the applicable legislation and CEO or his/her deputy to perform the tasks set forth in the Banking Law.

The Audit Committee is comprised of two members bearing the qualifications specified in the applicable legislation and selected from the Board Members to provide assistance to the Board of Directors in performing the audit and supervisory activities and perform the tasks stipulated in the Banking Law as well as the tasks allocated to it by the Capital Markets Board.

The Corporate Governance Committee is comprised of two members selected from the Board Members to organize the relationships of the Bank with the shareholders, stakeholders, regulatory and supervisory authorities as well as the executives and employees in accordance with the principles of honesty, reliability, impartiality, confidentiality and equality and perform the responsibilities of the Bank concerning environment and social life.

The procedures and principles related to selection, tasks and operations of the member of the Committee are set forth in the Bank's articles of association.

5.4. Risk Management and Internal Control Mechanism

The Bank has established appropriate and effective risk management and internal control mechanism compliant with the scope and structure of its operations in order to monitor and control the risks it is exposed to. The said mechanisms are conducted, in accordance with the provisions of the Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process (ICAAP), by the Internal Control and Compliance Team as well as the Risk Management Team which are independent from each other in administrative terms and which are associated to our Board of Directors through the Audit Committee. As a result of the

audits performed by the Internal Audit Team, which report to our Board of Directors through the Audit Committee; reasonable assurance is provided to the Executive Management regarding the conduct of our Bank's activities in accordance with the relevant regulation, the in-bank strategy, policy, principles and objectives, as well as the sufficiency and efficiency of the internal control and risk management systems.

The procedures and principles related to the operation, efficiency and effectiveness of the Bank's risk management and internal control mechanism are stipulated in the Regulation Regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, the good practice guides published by the Banking Regulation and Supervision Agency and in the Bank Internal Regulation regarding the relevant teams.

In the establishment and implementation of our Bank's risk management system's internal capital adequacy assessment process, the principle of proportionality is taken into consideration.

The Risk Management Team, which manages and coordinates the activities of monitoring, measuring, evaluating, controlling and reporting of the risks to which our Bank is exposed, conducts its activities by reporting to the Audit Committee and in compliance with the banking regulation within the framework of the internal regulations approved by the Board of Directors. Our Bank's risk management activities focus on the pillar 1 risks (credit, market and operational risk) as well as on the pillar 2 risks (liquidity risk, interest rate risk resulting from banking accounts as well as central counterparty business risk and provision for restructuring cost) as defined in the banking regulation.

The performance of risk assessment for the risks of information technologies as well as new products and services which the Bank intends to provide, the creation of risk analysis reports and risk management programs for support services, monitoring of risk appetites as well as risk limit and signal values, internal risk measurements and assessments as well as stress tests and the performance of scenario analysis, the follow-up and review of amounts subject to legal risk and ratios are conducted by the Risk Management Team and reported to the Audit Committee. Within this framework, a total number of 29 reports had been prepared by the Risk Management Team and submitted to the Audit Committee during 2014.

Pursuant to the Regulation Regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks which entered into force upon publication in the Official Gazette number 29057 dated July 11, 2014 as well as the good practice guides published by the Banking Regulation and Supervision Agency; the partial and plenary stress tests had been made with a future-oriented perspective within the scope of the pillar 1 and pillar 2 risks to which the Bank is exposed; and subsequently, capital and liquidity planning had been made ensuring that the Bank

shall maintain its activities even under the most adverse circumstances. The Stress Test Report as well as the ICAAP Report dated Dec.31, 2013 prepared by the Risk Management Team had been approved at our Bank's Board meeting and submitted to the Banking Regulation and Supervision Agency.

The objectives of the internal audit system includes protection of the Bank's assets; execution of the activities efficiently and effectively pursuant to the Law and other applicable legislation, internal policies and guidelines of the Bank and banking customs; assurance of the reliability and integrity of the accounting and financial reporting system and availability of the information on timely basis, and the operations to this end are executed by the Internal Control and Compliance Team at the bank. Internal audit operations are prepared by the respective team annually and performed in accordance with the Internal Control Program approved by the Board of Directors. 31 discrete services/processes pertaining to the Bank as specified by the Internal Control Program were audited and examined in 2014. The operations subject to audit are audited in the periods determined depending on the risk level attributed to them and presented to the Board of Directors via the Audit Committee quarterly. Furthermore, monitoring of the changes in the legislation concerning the Bank and evaluation of the products and services for compliance with the applicable legislation is performed by the Internal Control and Compliance Team. In 2014, 7 reports in total were prepared and delivered to the Audit Committee with 4 of them issued quarterly and 2 in connection with the consideration of the new products and services intended to be provided by the Bank for compliance with the applicable legislation and 1 validation report related to the internal validation of the risk measurement methodology based on the model related to economic and/or legal capital adequacy used by the Bank.

The audit practices conducted within the scope of the Bank's Management Declaration regarding efficacy, competency and compliance of the internal controls with respect to the information systems and banking processes were jointly performed by the Internal Control and Compliance Team and Internal Audit Team in 2014 and 3 reports issued on these processes were delivered to the Board of Directors and the independent audit firm that audits the information systems and banking process of the Bank.

In order to provide assurance to the executive management that the activities of the Bank are executed in accordance with the Law and other applicable legislation and internal regulations and targets and efficiency and efficacy of the internal audit and risk management systems, the Internal Audit Team of the Bank performs operations for review and audit of the activities of the Bank periodically on risk basis and detection of any errors and misconducts. The internal audits performed include the verification tasks for the compliance of the values indicated in the Bank's financial statements with the records within the scope of the practices performed to ensure the integrity, accuracy and reliability of the accounting records and financial reportings;

supporting the identification of misconducts; reviewing of financial accounts as well as the records and related documents; the identification of risks and control points in the business processes and performing the tests of efficiency and effectiveness of the aforementioned controls as well as control tests for the information systems and processes in which the financial and administrative data are used. During the year 2014, a total of 22 internal audit reports had been issued as a result of the team and process audits by the Internal Audit Unit and delivered to the Board of Directors upon approval of the Audit Committee.

5.5. Strategic Targets of the Company

The vision and mission, corporate values and strategic targets of the Bank are generated by the Board of Directors with the assistance of the Corporate Governance Committee and disclosed to the public via the company's website.

Our Bank's vision is determined as "To be a trustworthy, effective and innovative institution which provides clearing & settlement, banking and central risk management services at global quality standards, preferred both in domestic and international markets." Whereas our Bank's mission is expressed as "Contributing to the development of markets with reliable and effective post-trade services."

"Trust", "Stability", "Market Orientation", "Effectiveness", "Robust Financial Structure" and "Transparency" are corporate values of the Bank. Our Bank's strategic targets are determined by the Board of Directors and the necessary monitoring and control mechanisms are established.

The targets of the Bank are stated in the strategic plans prepared for a period of 3 years. The actions taken to achieve the specified targets are evaluated by the Strategic Coordination Committee quarterly. The progress related to the strategic plan is monitored by the Board of Directors via the reports presented to the Board of Directors annually.

Our Bank's strategic targets of 2014 are classified under 4 main topics: "Financial", "Customer", "Process" and "Organization/HR".

In the "Financial" group, there is the target "Increasing the Bank's financial power and shareholder value".

As per the "Customer" aspect, there are the targets of "Increasing financial diversity and liquidity of the capital market instruments", "Positioning Takasbank as the regional clearing center/leader", "Ensuring the efficient release of products and services on the market" and "Extension of the products and services in the existing and new markets" and "Ensuring sustainable customer satisfaction".

As per the "Process" aspect, there are the targets of "Providing effective, uninterrupted and reliable services at international standards" and "Strengthening the technological infrastructure".

Whereas per the "Organization/HR" aspect, there is the target of "Keeping the human resource competence, educational level, satisfaction and performance at a high level".

The "Strategic Plan Progress Report 2014", which includes the practices performed by our Bank related to its strategic targets in 2014, had been shared with our Board of Directors.

When the strategic plan for the period of 2013-2015 is reviewed within the scope of convenient infrastructure, distribution of tasks and regulation arrangements for the realization of our Bank's strategic targets and initiatives, it is seen that the progress towards the strategic targets and objectives of the Bank is in compliance with the road maps pre-determined in 2014.

5.6. Financial Rights

The financial rights provided to the Board Members, such as remuneration and dividend bonus are determined by the General Assembly Meeting within the framework of the provisions of the Turkish Commercial Code. Rights granted to the executive management, such as remuneration, bonus, etc., are determined within the scope of the Bank's Personnel Regulation, whereas general remuneration increases are put into effect upon approval by the Board of Directors. Other rights granted to the Board of Directors and executive management such as vehicle allowance, insurance, etc. are determined within the framework of the Personnel Regulation and associated procedures, whereas travelling allowances and expenses payable are determined within the scope of our Bank's Travel Expense Regulation.

No borrowing/lending and guarantor and security relationship has been built with any Board Member and senior management in 2014.

Pursuant to article 199 of the Turkish Commercial Code number 6102; a report has to be issued by the Bank's Board of Directors, within the first quarter of the activity year, about the relations of the Bank with its controlling shareholder Borsa İstanbul A.Ş. and the other affiliate Merkezi Kayıt Kuruluşu A.Ş. (MKK), and the conclusion part of the report had to be included in the annual report.

In the conclusion part of the Report issued by the Bank's Board of Directors it is stated as follows:

"The transactions realized with the holding company Borsa İstanbul A.Ş. and the other affiliate MKK are performed within the framework of the capital market and banking regulations. The aforementioned transactions are ordinary business activities stipulated in the Bank's articles of association and the banking regulation.

All legal transactions performed by our bank with the holding company Borsa İstanbul A.Ş. and the other affiliate MKK during the activity year 2014 and all measures taken or avoided to be taken on behalf of these companies have been assessed. As regards the activity year 2014, it has been concluded that according to the circumstances and conditions known, the Bank has not suffered any loss due to any transactions made with the holding company or the affiliate, that a suitable counter action has been provided for each transaction, that there isn't any measure that has been taken or avoided to be taken and which may cause the Bank to suffer any loss, and that there isn't any transaction or measure which requires any benefit and loss reconciliation within this framework."

Donations and Grants During the Period

Pursuant to article 11, clause 1, sub clause h) of the Regulation on the Determination of the Minimum Contents of the Companies' Annual Activity Report, published by the Ministry of Customs and Trade, the donations and grants made by the companies during the year as well as the expenditures spent within the framework of social responsibility projects have to be indicated in the annual report.

During 2014, Takasbank continued to support the needs of schools in different regions of our Country, especially the Takasbank Fine Arts and Sports High School which it built in Siirt. Besides, Takasbank also supported the aid campaigns initiated throughout the Country due to the natural disasters or accidents having occurred. During 2014, a total donation and grant of 118,278 TL had been made.

Support Services

Within the scope of Regulation on Bank's Procurement of Support Services, the Banks receives:

- Server Hosting Service for the Emergency Centre from the Turkish Telekomünikasyon A.Ş.;
- Interface software maintenance and support service for Electronic Fund Transfer and Electronic Securities Transfer Systems from Mor Teknoloji Yazılım İletişim Bilişim Danışmanlık ve Enerji San. ve Tic. Ltd. Şti.; and
- Connection, maintenance and support service for SWIFT server located at the Disaster Recovery Center from Fineksus Bilişim Çözümleri Tic. A.Ş.

Information related to the Report of the Board of Directors Prepared within the Scope of Article 199 of the Turkish Commercial Code



Activities of 2014



Central Counterparty

For Takasbank, 2014 has been a year where the scope of the Central Counterparty (CCP) service was expanded, the risk management practices were enhanced and, furthermore, the practices regarding the memberships to international associations and the recognition by foreign regulatory authorities were accelerated.

Takasbank started providing CCP service to Borsa İstanbul Futures and Options Market (VIOP) in the first quarter of 2014, Takasbank also began providing CPP service, which it had initiated in the Securities Lending Market (SLM) in the third quarter of 2013, to the Borsa İstanbul Futures and Options Market (VIOP) in the first quarter of 2014. While expanding the range of CCP services in 2014 on one hand, it also continued its preparation for the recognition of its CCP services by the European Union's capital market authority ESMA (European Securities and Markets Authority) on the other hand. The designing of the risk management and technical infrastructure necessary for being able to provide CCP services in other organized markets operating under Borsa İstanbul roof also continued.

Within this context, the practices initiated in 2013 to undertake the CCP role in the Futures and Options Market were completed at first. As of 3 March 2014, Takasbank started to offer CCP services at the Futures and Options Market. Also in this period, the amounts to be allocated and committed from Takasbank capital to be included in the default waterfall of the Securities Lending Market and Borsa İstanbul Futures and Options Market were determined, and separate guarantee funds were established for the aforementioned markets.

In 2014, CCP risk management activities were further enhanced, and stress tests were started to be conducted to test the adequacy of all resources, mainly the margins, the guarantee fund contributions of the members and the amounts allocated and committed from its capital, which can be used by Takasbank against the risks it assumes in its capacity as central counterparty. In addition, back tests were also started to be conducted to monitor the validity of the defined risk and collateral valuation parameters based upon the market conditions.

The monitoring screens necessary to measure, monitor and report the risks efficiently in SLM and VIOP were completed and put into operation, the initial margin and guarantee fund calculation parameters determination processes were standardized and documented. The business rules for the monitoring of the defined risk parameters and the guarantee fund sizes were also determined and put into operation.

The convenience of the defined risk parameters, thus the collateral obligations of the CCP members, with the market conditions were diligently monitored. Compatibility of the risk parameters with the market conditions as well as with the limits set forth in the regulations was monitored on a daily basis and the necessary revisions were made.

Activities for the announcement of Takasbank as a qualified CCP by the Capital Markets Board in the forthcoming period and the recognition of its CCP services by the European Securities and Markets Authority (ESMA) also gained speed in 2014. To that end, Capital Markets Board, the European Commission and ESMA were contacted with regard to the application process for recognition, and the steps needed to be taken for the provision of the necessary conditions were determined.

To carry out central counterparty services in line with international standards, Takasbank became a member to the European Association of Clearing Houses (EACH) on 7 October 2014. Through EACH membership, Takasbank will have the opportunity to receive information about practices carried out at the EU in relation to the Central Counterparty activities and comment on these issues, as well as to develop its relationships and cooperation with the Central Counterparty institutions that are members to the association.

In 2014, within the framework of the project related to the renewal of the clearing & settlement and risk management system technical infrastructure which is carried out in accordance with the strategic partnership of Borsa İstanbul and NASDAQ; the requirements for the entire infrastructure, in particular for the risk management system enabling the CCP service to be provided in other markets at Borsa İstanbul, were defined by considering the international practices, and the design studies were started.

Financial Analysis Service

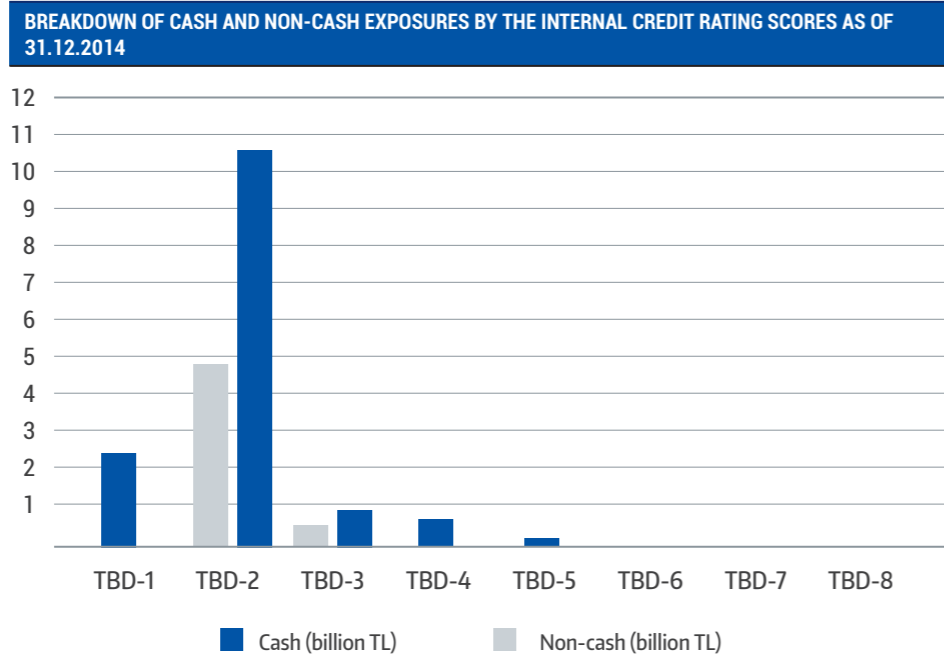
Financial analysis, intelligence and analysis studies are conducted for the institutions with whom Takasbank has or will have a membership relationship in the markets where credit, placement or CCP services are provided, and the credit worthiness is measured by the internal credit rating system.

By Takasbank internal credit rating system;

- The credit worthiness of banks and brokerage houses are assigned in terms of credit rating grades varying between TBD-1 and TBD-8 from the highest to the lowest,
- Maximum nominal or Value at Risk based credit or position limits that can be allocated are determined with respect to the banking or central counterparty operations; and
- Types of membership of the banks and brokerage houses to which the central counterparty services will be provided are determined.

The key aspects of the methodology implemented were announced in Takasbank website.

Market Operation and Cash Credit



Two rating studies were conducted in 2014 through the internal credit rating system. Subsequently, grades were allocated to 132 institutions with the data of June 2014 period and to 141 institutions with the data of December 2013 period.

By using these grades, maximum nominal or Value at Risk based credit or position limits which may be allocated in accordance with the banking or the central counterparty activities were determined.

The risk of institutions and credit and position risks taken as central counterparty are monitored and reported periodically.

Securities Lending Market (SLM)

- As of the end of 2014, the number of institutions authorized to trade at the SLM is 71, and the number of representatives is 223. In 2014, a total of 44,275 lending contracts were executed with transactions conducted by 67 intermediary institutions, from 3,976 customer, 38 mutual funds and trusts as well as 99 brokerage houses propriety accounts. Compared to 2013, the daily average number of orders increased by 60.66% from 272 to 437, and the number of contracts increased by 91.30% from 92 to 176 in 2014.
- 2014 trading volume in the SLM increased by 107.06% compared to the previous year from 3.04 billion TL to 6.30 billion TL and the number of shares subject to the lending transactions has increased by 120.77% to 1.23 billion.
- Within the total volume of 2014 securities lending transactions; the share of the mutual funds and trusts was 34.79%; the share of the securities lent by the intermediary institutions from the customer accounts was 31.85%; and the share of securities lent by them from their own portfolios was 33.36%.
- When 2014 lending transactions are analyzed from the viewpoint of the borrowers, it is seen that borrowings received by the brokerage houses on behalf of their customers account to 73.42% of the total borrowing transactions, whereas 24.70% of the total borrowing transactions consists of the borrowings received for the brokerage house propriety accounts and 1,88% for the mutual funds and trusts.

Practices performed to continuously enhance the service quality of the services offered by Takasbank were continued in 2014 specifically with regard to the SLM in accordance with the requests received from the members. In this context;

- Effective from 2 September 2013, Takasbank undertakes the central counterparty function in the SLM transactions with the open offer method, and becomes the borrower against the lender and the lender against the borrower. As of this date, transactions conducted in the SLM are executed under the guarantee of Takasbank. Practices conducted in this regard were continued in 2014, and the guarantee fund became operational as of 3 March 2014. Comprising of the contribution amounts deposited by the members as to be used for the portion of the losses exceeding the collaterals of the relevant members which may be incurred in case of default of the members, the guarantee fund is covered by the assets under the possession of the members.
- Practices related to the transfer of the positions and associated collaterals followed in segregated accounts in the SLM were completed as of 2 September 2014 and started to be implemented. Effective from the said date, the positions and collaterals belonging to the customers or funds of the SLM members can be transferred, if requested, to the accounts of the relevant customers or funds held at another SLM member.
- The order commission steps applied as 0.01% (one of ten thousand) and its multiples in the SLM transactions were started to be implemented as 0.05% (five of ten thousand) and its multiples as of June 16, 2014 in the light of the current market conditions.

- To provide more efficient service to the members upon introduction of the central counterparty service in the SLM and to contribute to the development of capital markets, the promotional activities conducted for the development of lending transactions were intended to be increased. In this context, 20.000 brochures were delivered in the last quarter of 2014 to the investors engaging in share transactions. By the effect of these activities, the number of customers engaging in lending transactions increased by 43% compared with the previous year to 3.976 customers from 2.785 customers.
- With the "SLM Cash TL Collateral - Interest Accrual Exemption Report and Screen", the members are able to determine the cash Turkish Lira amounts to which no interest they wish to be accrued and they can withdraw these amounts after the interest accrual hour. In addition to this report, Cash TL Collateral - Interest Accrual Report Screen and the Risk Report, Securities Subject to Lending and the Shares Eligible for Collateral Report screens also became operational in line with the requests received from the members.
- The "Market Monitoring Screen", which will enable the members to monitor the market information from the SLM menu, the best bid-offer prices and number of shares for each maturity and the last traded prices and number of shares, and the 5-step depth information of each maturity, as well as the summary information related to the transactions conducted during the day, was put in to effect as of 3 November 2014.
- Practices for introducing the SLM member screens as a web service were started and it is intended to be launched during the course of 2015.

SECURITIES LENDING MARKET 2014 DATA

	Total	Daily Average
Number of Orders	109,793	437
Number of Contracts	44,275	176
Number of Shares	1,227,054,712	4,888,664
Trading Volume (TL)	6,296,517,879	25,085,729

BREAKDOWN OF THE TOTAL TRADING VOLUMES OF THE SECURITIES LENDING MARKET ACCORDING TO THE INDEX (2014)

	BIST 30	BIST 100 (Excluding 30)	BIST Excluding 100	Exchange Traded Fund	Total
TL	5,892,654,665.41	298,133,937.29	105,110,199.01	619,077.70	6,296,517,879.41

2014 / MONTHS	SLM Transaction Volume (TL)	SLM Number of Transactions	Number of Trading Members
Ocak	354,958,465	85,512,878	59
Şubat	300,657,963	71,499,661	60
Mart	422,719,805	93,569,699	60
Nisan	546,245,325	121,713,969	59
Mayıs	523,330,282	98,681,548	60
Haziran	555,695,415	111,226,961	58
Temmuz	466,380,336	95,703,832	60
Ağustos	544,010,527	102,643,039	60
Eylül	547,233,380	102,905,631	56
Ekim	466,373,924	91,359,971	57
Kasım	680,262,681	116,702,687	56
Aralık	888,649,776	135,534,836	57

2014 / MONTHS	Number of Traded Securities on SLM	Monthly Number of Contracts
January	133	2,926
February	120	2,699
March	142	3,853
April	138	4,388
May	134	3,597
June	121	3,483
July	135	3,111
August	115	3,146
September	121	3,898
October	123	3,978
November	124	4,407
December	142	4,789

MEMBERS AND SUB MEMBERS OF SECURITIES LENDING MARKET

2014	Number of Borrowers	Number of Lenders
Intermediary Institution	67	52
2014	Number of Borrower Sub-Member	Number of Lender Sub-Member
Proprietary Account	81	39
Customers Account	1,560	2,547
Mutual Fund / Investment Trust Account	7	35
Total	1,648	2,621

Takasbank Money Market (TMM)

- In 2014, a total of 81 institutions, consisting of 65 brokerage houses, 10 deposit banks and 6 development and investment banks traded at Takasbank Money Market,
- In 2014, the total trading volume had its peak since the inception date of the market and reached 234.76 billion TL. Whereas, the average transaction size increased to 1.68 million TL.
- The daily average trading volume was recorded as 935 million TL, whereas the total number of transactions and the daily average number of transactions were realized as 139,391 and 555 respectively.
- Marketing activities were performed to increase the number and transaction volume of the intermediary institutions, mutual funds and mutual trusts in 2014. The share of the mutual funds and mutual trusts in the total TMM trading volume had become 162 billion TL, whereas the number of the trading mutual funds and trusts were recorded as 449.
- 2 brokerage houses, which did not trade in 2013, traded in TMM in 2014. Compared to 2013, the share of mutual funds and trusts in the total TMM outstanding transactions increased by 5.2% in 2014.
- On the selling side of the transactions in TMM in 2014, 69% was performed for the mutual funds and mutual trusts, 12% for the proprietary accounts of the intermediary institutions and the remaining 19% for the customers of the intermediary institutions. On the buying side of the total transactions, 98% was executed for the proprietary accounts of the intermediary institutions.

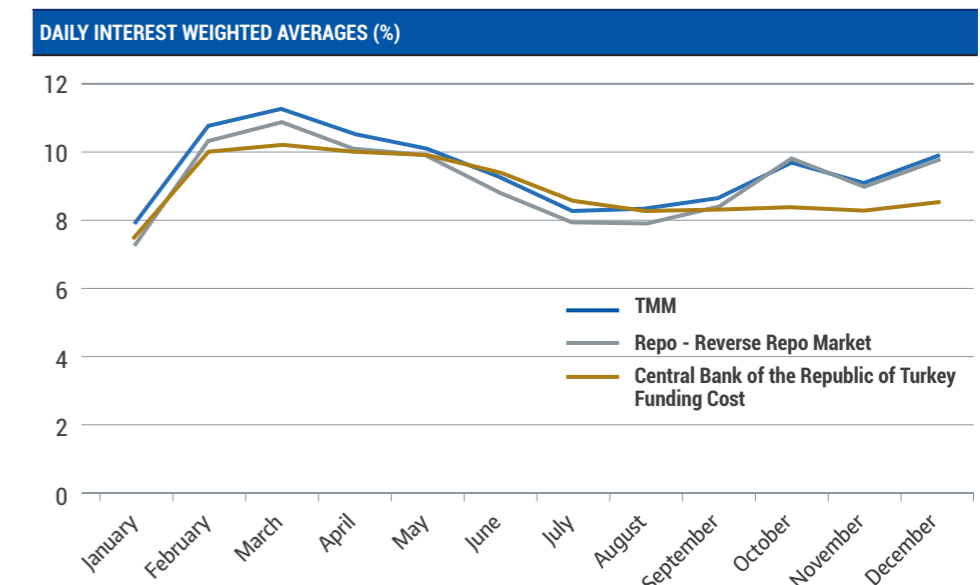
Pursuant to the Financial Leasing, Factoring and Financing Companies Law number 6361, members of the Association of Financial Institutions have become entitled to borrow money from international markets and to provide funds from any partner and partners, banks, money markets and organized markets within the general principles. Within this scope and also by taking the request coming from the Association of Financial Institutions into account, practices were initiated to enable the said companies, which are members of the Association, to become participants of the TMM. Upon completion of all practices, it is envisaged that the financial leasing, factoring and financing companies' trading in TMM in the first half of 2015.

In line with the requests received from the members, the initiative where TMM member screens provide service via internet was launched, and it is envisaged that trading via internet will be started to be conducted with the financial leasing, factoring and financing companies at first. Practices for opening the TMM member screens as a web service was also started and scheduled to be introduced during 2015.

In 2014, efforts made for the continuous improvement of the service quality of the services provided by Takasbank were also continued, specifically for the TMM, in line with the requests received from the members. Within this context;

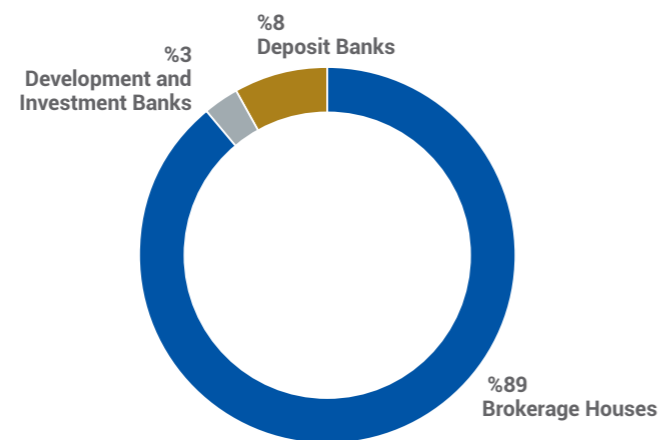
- To enable the TMM data monitored from the relevant pages of the data broadcasting companies to be monitored by members from Takasbank screens, the "Market Monitoring Screen" was put into operation as of 7 July 2014. Again as of 7 July 2014, the 3-step depth information provided only for O/N transactions was also begun to be published as to be 5-steps for each maturity where an order is placed during the day.
- To provide convenience to TMM participants in their risk and collateral monitoring operations, the "Risk/Blocked Report", "Collateral Monitoring Report" and the "Maturity-Based Transactions Report" were made operational.

AVERAGE DAILY TRANSACTION VOLUMES IN TAKASBANK MONEY MARKET		
Months	Average Transaction Volume (TL)	Average Number of Transactions
January	924,411,455	546
February	912,261,750	577
March	948,061,143	586
April	951,898,429	596
May	886,843,200	563
June	1,001,551,524	577
July	941,947,750	539
August	1,033,187,333	562
September	927,171,409	513
October	856,262,200	504
November	937,127,700	557
December	900,492,130	545



- The mutual funds and trusts on whose name the trades are executed on the TMM were enabled to make reporting over TMM menu with their own users in relation to their transactions. As of June 2014, the "Realized Trades", "Detailed TMM Transactions", "TMM Commissions" and "Backdated Trades by Maturity" screens and reports were made available to the mutual funds and trusts.

Breakdown of Takasbank Money Market Transaction Volume (%)



Turkey Electronic Fund Trading Platform (TEFAS) and Funds Information Platform

Turkey Electronic Funds Distribution Platform (TEFAS) which enabled the expansion of the distribution network of the mutual fund participation certificates to contribute to the development of the capital markets and the funds sector and facilitated execution of the trading and the clearing and settlement of the participation certificates over an electronic platform. In 2014, a total amount of 751.20 million TL funds trading transactions was executed in TEFAS. As of 2014 year-end, the number of platform-member investment institutions increased to 169, and the number of traded funds increased to 210.

On the other hand, pursuant to the intention of the Capital Markets Board for the establishment of a common trading platform enabling buying and selling of funds together with the recommendations of the market players paved the way to the conduction of fundamental revisions in order to improve the efficiency of TEFAS which has been launched on 24 January 2011 but failed to attract sufficient demand. The most significant revisions are;

- Abandoning real time gross settlement delivery versus payment (RTGS DvP) method based on the principle of simultaneous exchange of cash and securities, and enabling the payment of cash amounts over the netted amounts on the value date, and
- Removing the obligation of holding cash for order routing within the scope of the collateral deposited by the members within the framework of transaction limit allocated by Takasbank to the fund distributor institutions, and thus ensuring timely finalization of the settlement transactions accordingly.

TEFAS is a trading platform, however, it had been designed to comprise basically of two components. The first of these components is the Platform which facilitates the access of investors to all traded funds via the investment institutions; and the other one is the new web-based Funds Information Portal which had been established to provide contribution to the funds sector by enhancing transparency in the funds sector, enabling access to the information about funds from a single point without incurring any cost and raising the awareness of the investors.

Through the revised structure of TEFAS, the investors can access all mutual funds authorized to be established and traded on the platform by the Capital Markets Board via any institution where they held their accounts.

For all Mutual Funds and Individual Pension Funds being issued in Turkey, the investors can, through the Funds Information Portal;

- Access general information about the fund profile and the portfolio distributions,
- Compare the selected funds with the fund group they belong and with the returns of other investment instruments as of certain periods, and
- Access historical data of the fund and the fund group.

TEFAS was put into practice with its revised structure as of 09 January 2015, and by the Platform's entry into service and the use of the Portal established to support the Platform by our investors, it will provide maximum level of contribution to the funds sector as well as to the investors.

Cash Credit

- In 2014, credit limit has been allocated to 1 brokerage house and 2 banks for the first time, and the credit limits of a total of 56 institutions, consisting of 49 brokerage houses and 7 banks, had been reviewed.
- In 2014, credit limit had been allocated to 82 brokerage houses, 41 banks and 42 portfolio management companies who will trade on the Turkey Electronic Funds Distribution Platform, which shall enter into service in early 2015.
- Takasbank daily average cash credits reached 83.5 million TL as a result of the utilization by 20 brokerage houses in 2014.
- Takasbank cash credit interest revenue was recorded as 8,489 thousand TL in 2014. Whereas the maturities of the cash credits allocated by Takasbank were mainly overnight credits.
- In 2014, the number of the customers of the brokerage houses that signed pledge contract to transfer asset to the cash credit collateral account increased from 740 to 761.
- With the objective to provide credit service to more brokerage houses, we will concentrate upon marketing operations on the basis of brokerage houses in 2015.

Clearing & Settlement and Custody

AVERAGE CASH CREDIT PLACEMENTS AND LOAN INTEREST REVENUES IN 2014		
Months	Average Placement (TL)	Interest Revenues (TL)
January	133,399,710	992,330
February	92,914,643	810,374
March	100,338,000	1,006,684
April	15,023,400	156,201
May	34,440,323	329,074
June	103,197,000	860,199
July	85,461,129	673,568
August	96,058,806	750,927
September	101,323,167	782,755
October	78,371,129	721,678
November	59,294,167	486,419
December	101,428,226	918,111
Total	83,510,025	8,488,781

Clearing and Settlement Services

Equities and Other Equity-Like Instruments Clearing and Settlement Service

Equities and Other Equity-Like Instruments Clearing and Settlement Service Clearing and settlement of the trades executed at the Borsa İstanbul Equity Market and Emerging Companies Market are conducted on the second business day following the trade day (T+2) in book-entry form by netting buy and sell transactions in accordance with the principle of Delivery versus Payment (DvP).

Clearing and settlement of the transactions conducted on Borsa İstanbul Equity Market and Emerging Companies Market are performed on the second business day following the trade day (T+2) in book-entry form and in accordance with the Delivery versus Payment (DvP) principle, by netting of buy and sell transactions.

In 2014, the total trading volume of 84 brokerage houses in the Equity Market and Emerging Companies Market reached TL 872.72 billion. After the netting procedure, Takasbank executed cash settlement of TL 60.16 billion (6.89%) and equities settlement with a total market value of TL 185.18 billion (21.22%).

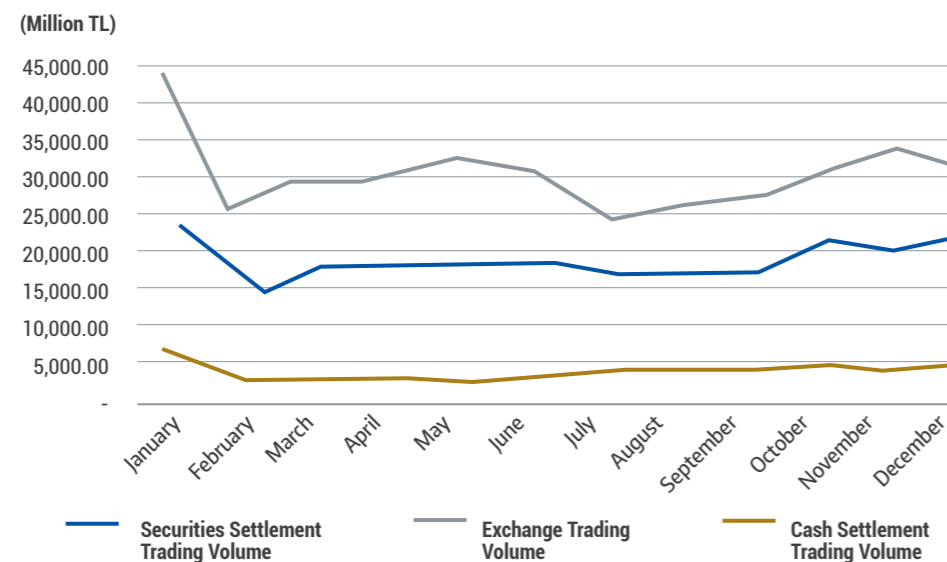
In 2014, gross settlement was applied to the equities of 28 companies for shares traded on the Free Trade Platform and to equities for which the netting process had been removed by the BİAŞ Automatic Session Suspension System. In the system which can also be operated on investor basis, gross settlement was applied to 7 investors in 2014.

MONTHLY DAILY AVERAGE TRADING VOLUMES IN BIST EQUITY MARKET (MILLION TL)				
Months	Stock Exchange Trading Volume	Net Settled Cash	Net Settled Equities	BIST100 Index
January	3,428	233	675	61,858
February	3,004	219	634	62,553
March	2,685	213	627	69,736
April	3,540	240	744	73,872
May	3,468	244	788	79,290
June	3,600	260	788	78,489
July	3,065	206	686	82,157
August	3,525	242	712	80,313
September	3,303	219	681	74,938
October	3,776	281	823	80,580
November	4,127	254	867	86,169
December	4,395	287	900	85,721

Debt Securities Market Settlement Service

- In 2014, the total trading volume in the Outright Purchases and Sales Market and Repo-Reverse Repo Market stood at TL 7,645.04 billion. The total volume of debt securities issued by the corporate sector (corporate bonds) was recorded as TL 15.51 billion.
- As a result of the multilateral netting process, Takasbank executed cash settlement transactions with a volume of TL 1,036.03 billion, which accounts for 13.55% of the total trading volume and securities settlement transactions with a volume of TL 4,668.86 billion, which accounts for 61.07% of the total trading volume.

MONTHLY AVERAGE TRADING VOLUME, BIAS DEBT SECURITIES MARKET (million TL)			
Months	Securities Settlement Volume	Cash Settlement Volume	Stock Exchange Trading Volume
January	22,983.14	6,749.70	44,440.04
February	14,238.13	3,505.64	24,385.34
March	17,454.77	3,629.17	29,121.45
April	17,976.18	3,828.46	29,180.99
May	18,037.46	3,500.26	32,402.91
June	18,069.41	3,888.10	30,695.45
July	16,989.84	4,133.50	23,616.15
August	16,707.44	3,887.42	26,165.85
September	17,116.44	3,823.97	26,831.17
October	20,747.77	4,159.19	30,920.43
November	19,857.74	3,764.39	33,705.95
December	22,386.26	4,445.97	32,957.23



Derivatives Market Clearing and Settlement Service

Clearing & settlement, risk management and collateral management services for the trades executed at Borsa İstanbul Futures and Options Market (VIOP) started to be provided by Takasbank on December 2012.

By the end of 2014, the total number of VIOP members became 79. As of December 31, 2014, the number of open interests at the VIOP reached 388,529, and their market value was recorded as 2,345.44 million TL. Along with this, the trading volume became 430,091.43 million TL as of December 31, 2014. The total number of open accounts in VIOP reached 94,430 by the end of the year.

	2013	2014
BIAS VIOP		
Trade Collateral Value (million TL)*	1,797.32	1,818.84
Guarantee Fund Collateral Value (million TL)*	124.38	164.69
Trading Volume (million TL)	143,096.40	430,091.43
Profit/Loss (million TL)	2,642.70	6,662.60

(*) As of the end of the term

Electricity Market Clearing and Settlement Service

Authorized as the central settlement bank for the trades executed at Electricity Market after December 2011, Takasbank has provided 853 members with cash clearing and collateral management services in 2013. The transaction volume data in 2014 is presented below.

MONTHLY TOTAL SETTLEMENT TRANSACTION VOLUMES OF DAY-AHEAD MARKET (ADVANCE) AND NON-SETTLEMENT MARKET (INVOICE) (2014)		
Months	Day-Ahead Market (Advance) (TL)	Non-Settlement Market (Invoice) (TL)
January	2,184,652,309.68	1,624,850,964.98
February	2,022,154,214.02	1,602,898,392.26
March	1,594,481,510.86	1,502,635,248.90
April	2,042,563,094.68	1,531,167,455.38
May	1,976,088,747.18	1,586,157,783.72
June	1,897,415,296.40	1,597,149,536.30
July	2,338,160,557.12	2,186,418,453.08
August	2,829,464,571.48	2,099,845,272.56
September	2,288,935,073.12	1,577,460,193.78
October	2,043,417,428.82	1,657,240,558.96
November	2,470,767,026.24	1,778,464,943.86
December	2,859,785,620.80	1,800,305,501.90
Yearly Total	26,547,885,450.40	20,544,594,305.68

➤ Precious Metals Market Clearing and Settlement Service

Cash clearing, settlement and collateral transactions of the precious metals trading performed in Borsa İstanbul A.Ş. Precious Metals and Diamond Markets are also executed by Takasbank and these trades have been performed since February 4, 2013 through the accounts opened with Kuveyt Türk Katılım Bankası A.Ş. designated as the correspondent bank.

Cash clearing, settlement and collateral transactions are conducted through connection to Borsa İstanbul A.Ş. via web service, allowing 95 market members to have access to Takasbank screens via internet.

Cash clearing and settlement executed by Takasbank in 2014 was USD 8.83 billion for Gold/Dollar transactions; TL 1.70 billion for Gold/TL transactions; EUR 15.35 million for Gold/EUR transactions. Similarly, in the same period again, cash clearing in the silver markets was USD 155.79 million for Silver/Dollar transactions; TL 238.80 million for Silver/TL transactions.

Furthermore, collateral amounts of USD 3.88 million, EUR 50 thousand and TL 1.5 million were held with our correspondent bank, Kuveyt Türk Katılım Bankası A.Ş. as of December 31, 2014.

➤ Electronic Warehouse Receipts (EWR) Clearing and Settlement Service

In 2012, joint activities were performed by Izmir Commodity Exchange, Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.(ELIDAS) MKK (CSD of Turkish capital markets) and Takasbank for the creation, trading, clearing and settlement processes of the Electronic Warehouse Receipts (EWR). At the first stage, cotton-based electronic product certificates to be traded were created and the studies related to the clearing and settlement processes were completed. In 2013, EWR trading transactions were started in Izmir Commodity Exchange and the clearing and settlement of the executed transactions were concluded by Takasbank. Clearing and settlement transactions protocol was signed in 2013 with the Commodity Exchanges of Izmir, Ankara, Konya and Polatlı, and with the Commodity Exchanges of Bandırma and Gaziantep in 2014 and these exchanges became a member of Takasbank.

Clearing & settlement of EWR traded on Electronic Trading Platforms within Commodity Exchanges are also executed by Takasbank via method of Real Time Gross Settlement DvP transfer. Registration, compensation and warehouse fees are calculated at the time of Real Time Gross Settlement DvP transfer and the registration and compensation amount are transferred to the Commodity Exchange and the depository fee is transferred to the licensed warehouse account.

In 2014, Takasbank finalized the clearing and settlement transactions of EWR transactions belonging to 645 transactions based on barley and wheat with a volume of 24.132.368 TL executed in Ankara Commodity Exchange and Polatlı Commodity Exchange.

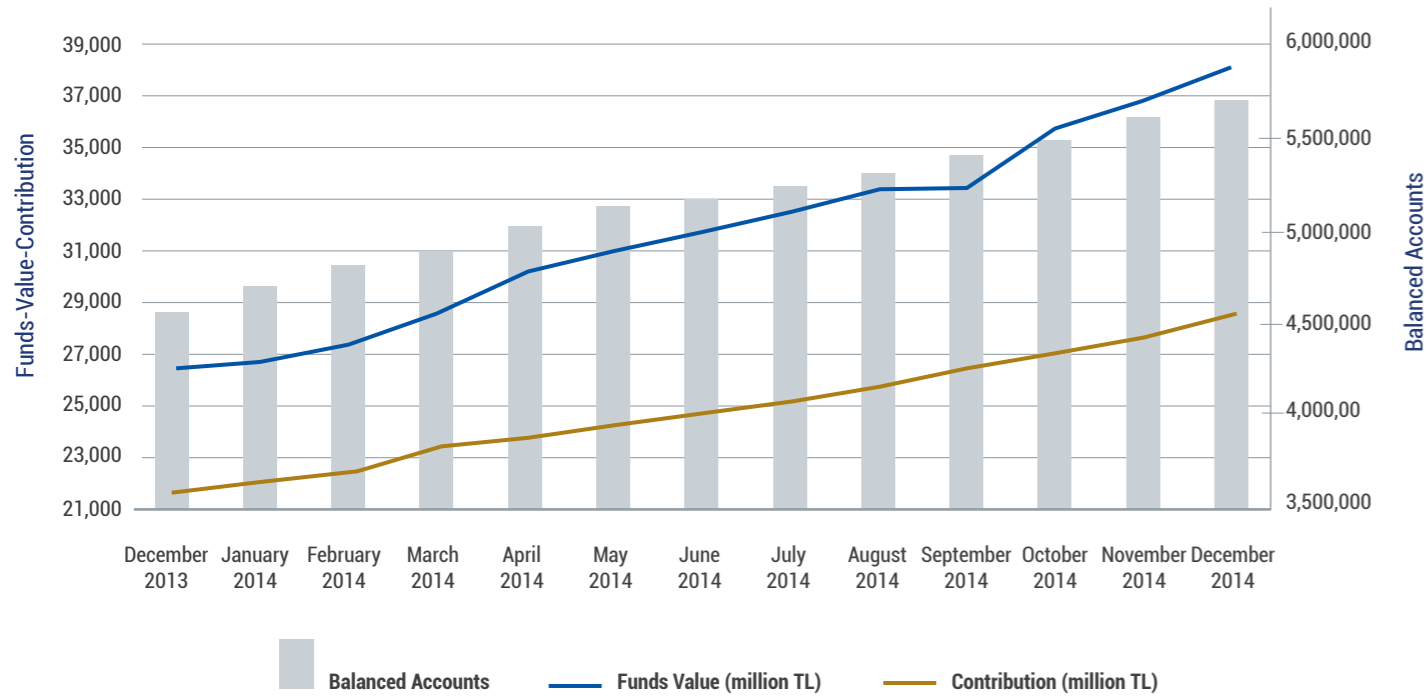
Custody Services

➤ Management and Information Service For Private Pension (BES) Funds Unit Shares

Takasbank has been providing custody services as a custodian to the private pension companies since 2003 in accordance with the Private Pension Saving and Investment System Law, Article 17, and Regulation on Principles of Establishment and Activities of the Pension Mutual Funds, Articles 28, 29 and 31.

The number of accounts containing private pension funds held with the private pension companies increased by 1,122,792 as of December 31, 2014 and reached to 5,689,411 in number in comparison to the last year. The fund size owned by the participants increased approximately by TL 11.5 billion, reaching to TL 37,8 billion. In 2014, a new pension company started to operate and 19 private pension companies had 246 pension funds held with Takasbank as of December 31, 2014.

NUMBERS OF PRIVATE PENSION ACCOUNTS WITH BALANCE AND DEVELOPMENT OF FUNDS SIZES OWNED BY THE PARTICIPANTS (million TL)



Book-entry Custody Service

As of December 31, 2014, the assets under custody consist of 1,230 million shares, exchange traded funds of 50,364 million, mutual fund participation certificates of 9,311 million, foreign shares of 23,507, 8.382 kg gold and 9,510 kg silver are under custody for the collective investment schemes.

Fund Valuation and Capital Markets Board Reporting Service

Pursuant to the authorization by the Capital Markets Board and in accordance with the relevant regulation, Takasbank continued to provide custody services to the collective investment schemes and to provide necessary infrastructure for the notification of assets kept under custody outside of Takasbank in 2014. Furthermore, affecting reconciliation controls of information regarding the unit share values entered into Takasbank system by these institutions and the number of shares in circulation and the fund portfolio values and ensuring the correction of unreconciled amounts and reporting such information to the Capital Markets Board were also continued.

BREAKDOWN OF PRIVATE PENSION FUNDS PORTFOLIOS (%)

31.12.2014	
Gold	0.80
Eurobond, Foreign Securities	4.94
Participation Accounts	0.32
Equity	13.54
Repo - Reverse Repo	6.49
Bonds	52.57
Takasbank Money Market	0.92
Time Deposits	9.51
Futures Cash Collaterals	0.23
Corporate Bonds	10.70

BREAKDOWN OF MUTUAL FUNDS PORTFOLIOS (%)

31.12.2014	
Gold	1.02
Eurobond, Foreign Securities	2.57
Equity	5.27
Repo - Reverse Repo	19.93
Bonds	9.99
Takasbank Money Market	12.17
Time Deposits	6.57
Futures Cash Collaterals	0.23
Private Sector Debt Securities	42.25
Corporate Bonds	10.70

BREAKDOWN OF SECURITIES MUTUAL TRUSTS PORTFOLIOS (%)

31.12.2014	
Eurobond, Foreign Securities	0.03
Equity	21.19
Repo - Reverse Repo	5.19
Bonds	29.45
Takasbank Money Market	4.60
Futures Cash Collaterals	0.33
Corporate Bonds	39.21

Portfolio Custody Service

With the new Capital Markets Law, prominent structural changes were also effected in the collective investment schemes industry as it was the case in many areas of our capital markets. Subsequently, the collective investment schemes which bear great significance for our capital markets were entirely renewed in accordance with the EU legal acquis. With the new Law, it was ensured that the mutual funds are established by the portfolio management companies, the custodian and the administrator are separated from each other by concrete lines, and that the rights, duties and liabilities of each institution are explicitly defined.

In line with this critical change and by taking into account the requests of the sector from Takasbank, the necessary infrastructure to provide "Portfolio Custody Service" to the portfolio management companies by Takasbank was prepared as a result of a year-long study. Takasbank's application for offering portfolio custody service in accordance with the "Communique on the Principles of the Portfolio Custody Service and the Institutions Rendering this Service" (Serial No: III-56.1) was received favorably by the Capital Markets Board on 24 July 2014. Effective from the said date, Takasbank became able to perform the portfolio custody operations of all collective investment schemes under the scope of the relevant communiqué.

Equity Corporate Action Service

For the shares under custody accounts for the collective investment schemes, corporate action rights, such as capital increase and dividend distribution are executed by Takasbank.

In 2014, 10 issuers executed capital increase through rights issues; 31 issuers conducted capital increase through bonus issues and 150 issuers affected dividend distribution.

Debt Securities Corporate Action Service

Takasbank provides custody service for government debt securities (GDS) to the banks, brokerage houses, mutual funds and private pension funds, mutual trusts, real-estate mutual trusts, insurance and private pension companies and portfolio management companies.

GOVERNMENT DEBT SECURITIES YEARLY CUSTODY BALANCES

Years	(Million TL)		(Million USD)
	Average Nominal	Average Market Value	Average Market
2006	39,725.88	33,188.07	23,486.00
2007	36,796.28	32,217.53	27,661.66
2008	38,908.52	34,173.06	22,596.75
2009	42,795.09	39,459.17	26,206.53
2010	41,072.65	40,126.52	25,955.06
2011	48,650.41	48,541.25	25,460.93
2012	49,818.44	50,686.38	28,433.96
2013	50,605.89	52,728.55	24,705.31
2014	55,900.75	57,009.04	24,584.52

Balances of the corporate bonds owned by the mutual and private pension funds, mutual trusts, real-estate mutual trusts, insurance and private pension companies are monitored in the accounts of Takasbank held with Merkezi Kayıt Kuruluşu A.Ş. (CSD of Turkish capital markets). In recent years, a noticeable increase has been observed in the issuance of corporate bonds and yearly corporate bond depository balances of Takasbank are presented in the following table:

YEARLY CDS DEPOSITORY BALANCES

Year	CDS (million TL) Daily Average Nominal	Change (%)
2010	244.11	2,550.49
2011	3,538.99	1,349.75
2012	7,086.38	100.24
2013	12,228.42	72.56
2014	16,457.88	34.58

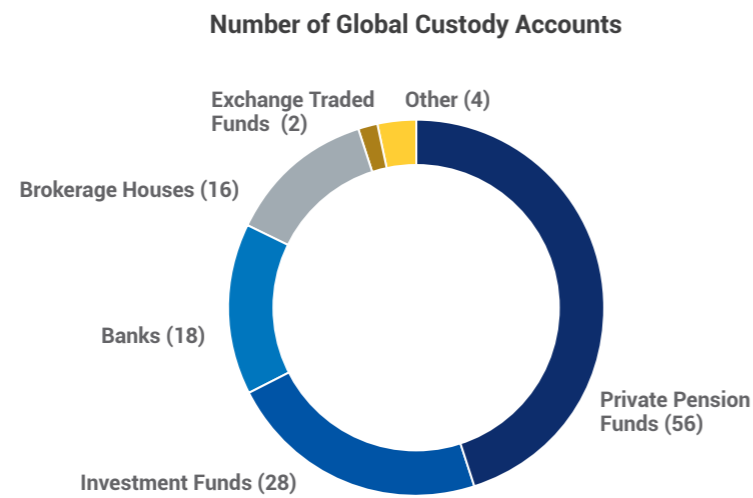
Takasbank also intermediates the corporate action rights execution transactions for Government Debt Securities (GDS) and Corporate bonds for which custody services are provided. The tables showing distribution of GDS and corporate bonds under custody at Takasbank and redemption/coupon payments made are presented below:

	GDS (million TL)	CDS (million TL)
Redemption	12,500.20	28,583.29
Coupon	2,998.55	581.37

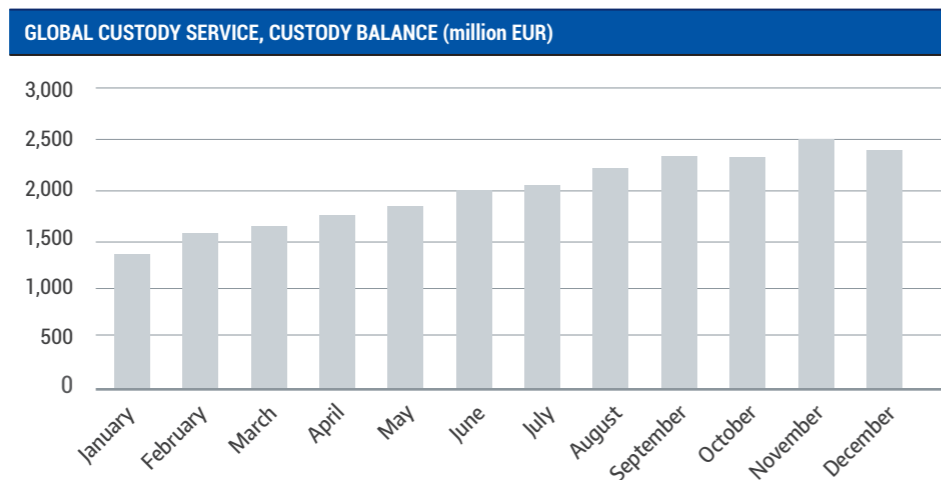
Global Custody

Global custody service offered by Takasbank covers settlement, custody, corporate action and related money transfer transactions for capital market instruments traded in international capital markets.

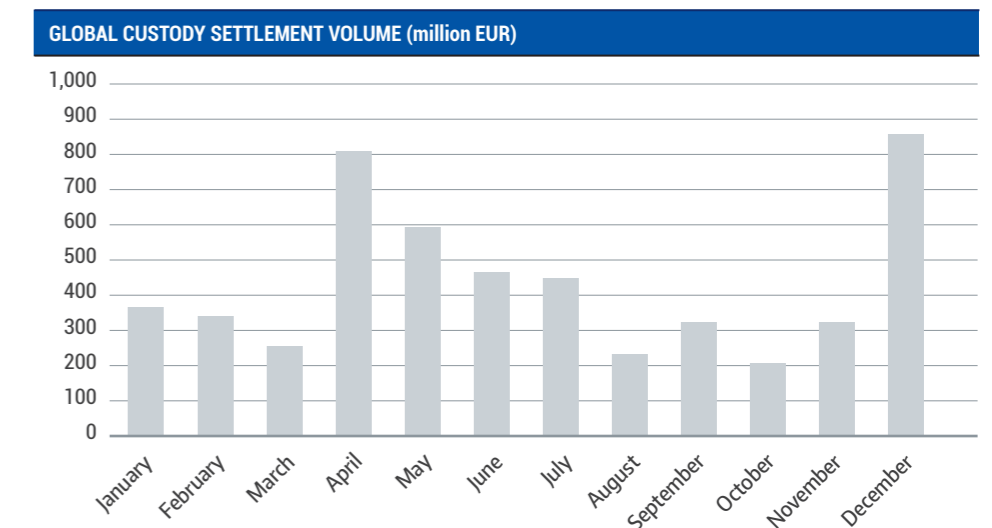
Takasbank provides global custody service to a total number of 124 members. Currently, 45% of global custody members are comprised of pension mutual funds while mutual funds, banks and brokerage houses complete the rest of the member portfolio.



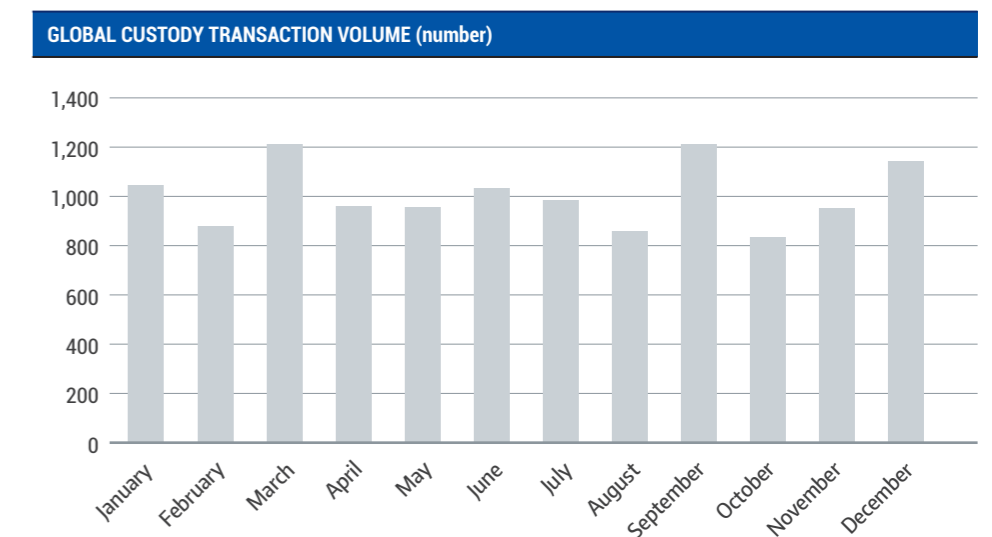
The average market value of the capital market instruments held under global custody in 2014 underwent a stable increase and reached 2.5 billion EUR. Accordingly the average custody balance in 2014 increased by 60% in comparison to the average balance of the previous year.



In 2014, a settlement transaction volume of 5.3 billion EUR was recorded, while the monthly average settlement volume realized was 440 million EUR. The settlement volume reached its peak in April and December and was recorded as 820 million EUR and 870 million EUR respectively.

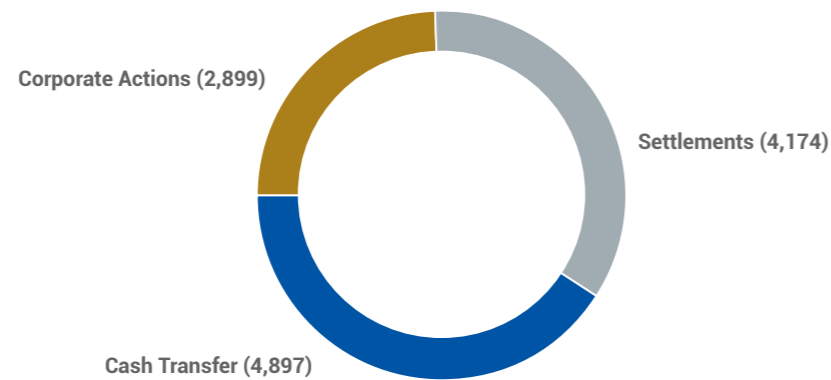


In 2014, a total number of 11,970 transactions were executed and monthly average transaction volume was recorded as 1,000 transactions. Within overall transaction volume realized in 2014, settlement transactions made up 35% while corporate actions transactions and related money transfer transactions constituted 25% and 40% respectively.



Other Services

Global Transaction Volume (number)



Central Custody Service for Foreign Assets Held in Private Pension Company and Mutual Fund Portfolios

Within the framework of the "Regulation Regarding to Principles of the Establishment and Activities of Private Pension Funds published in the Official Gazette number 28586 dated March 13, 2013 and the "Communique on the Principles of the Portfolio Custody Service and the Institutions Rendering this Service number III-56.1 dated July 2, 2013", Takasbank has been officially authorized to provide custody services for the assets held in the mutual and private pension funds' portfolios.

Within this scope, currently, central custody service is provided to 56 private pension funds and 28 mutual funds investing in international markets. The number of private pension and mutual funds in Takasbank system increased by 6%, and by 17% respectively.

Local Custody Service

Takasbank offers settlement and local custody services to international institutions. Under the scope of local custody service, the international institutions may open a custody account at the counters of Takasbank and benefit from clearing and settlement services and other related custody services including money transfer, corporate actions and reporting transactions for the securities held under custody.

Collateral Management Services

Debt Securities Collateral Monitoring (BIAS) Service

BIAS Debt Securities Market trading limit provisions and the International Bond Market Collaterals are monitored with Takasbank and the amount of "Trading Limit Provision" was TL 7,743 million, and the International Securities Market collateral amount was 1.7 million US\$ as of December 31, 2014. The distribution as per the types of collaterals are shown in the following table.

BREAKDOWN OF TRADE LIMIT PROVISIONS BY COLLATERAL TYPE

Collateral	Nominal/Amount	Market Value (TL)
Cash	2,030,712.12	3,164,966.12
Letter of Guarantee	678,803,398.25	988,678,953.25
Government Bond	5,576,073,908.00	5,759,663,302.79
Total	6,937,742,128.74	7,743,351,141.53

INTERNATIONAL BOND MARKET COLLATERALS

Collateral	Foreign Exchange Code	Nominal/Amount	Market Value (TL)	Market Value (USD)
Letter of Guarantee	USD	100,000.00	231,890.00	100,000.00
Government Bond	TL	3,774,000.00	3,758,566.05	1,620,840.00
Total		3,874,000.00	3,990,456.05	1,720,840.00

Derivatives Market Collateral Management Service

Takasbank has started to provide clearing, settlement, risk and collateral management services since December 2012 for the Borsa İstanbul Futures and Options Market (VIOP) pursuant to Derivatives and Options Market Regulation published in Official Gazette 28470 of November 17, 2012 and resolution taken by CMB.

Within the scope of this service, it has been decided to perform the real-time risk monitoring by using SPAN (Standard Portfolio Analysis of Risk), an internationally recognized and commonly used risk calculation algorithm. For this purpose, SPAN parameter identification and SPAN parameter file generation practices had been completed and put into practice in December 2012.

Takasbank, the clearing and settlement center of the Borsa İstanbul Derivatives Market, provides the services including opening of the trade accounts, management of transaction and guarantee fund collaterals, interest accrual on cash collaterals, real-time post-trading risk management by SPAN, real-time pre-order risk management

by SPAN for risky accounts, performing profit/loss calculations, notifying members for margin calls, physical delivery in equity options, physical delivery default and accrual transactions as well as collateral default and accrual services.

In the second half of 2013, preparations of Takasbank providing central counterparty (CCP) services at VIOP pursuant to the Capital Markets Law, Articles 77 and 78, were accelerated and the principles, directives and procedures started to be prepared. As of 3 March 2014, CCP service started to be provided by Takasbank.

The market value of transaction collaterals under Takasbank management is 1,818,840,099.20 TL as of the end of 2014 and 1,583,342,782.99 TL of the aforementioned collateral is cash in Turkish Lira.

➤ **Guarantee Fund Collateral Management Service**

Takasbank executes management of the guarantee fund established for Borsa İstanbul VIOP transactions and the total guarantee fund contribution of VIOP clearing members amounts to TL 164,693,469.54 as of the end of 2014. Cash contributions in Turkish Lira correspond to TL 82,316,346 TL of the fund.

➤ **Electricity Market Collateral Management Service**

The total market value of the collaterals safe kept at Takasbank for Electricity Market trading was TL 285,718,746.34 as of December 31, 2014. The collateral safe kept with the bank is comprised of cash collateral in the amount of TL 284,418,660.04 ; EUR 54,500 and USD 335,567.09 as well as Government Debt Securities with a market value of TL 368,211.62.

➤ **Leveraged Transactions Collateral Management and Reporting Service to Capital Markets Board**

In the aftermath of the global financial crisis, regulations were put in place for the transfer of over the counter derivatives transactions to the organized platforms and central clearing of these transactions in order to eliminate the counterparty risk while reporting was to be made to the trade repository institutions. In parallel to these practices in the international markets, the Capital Markets Board of Turkey has for the first time regulated the leveraged F/X transactions that constitutes an important part of the over the counter derivatives market with the "Communiqué on Principles of Leveraged Trading (LT) and Organizations to Perform Such Trading", which was effective on August 31, 2011. Thus, conditions were imposed on intermediary institutions for registration and reporting in Turkey. Above mentioned Communiqué was replaced with the "Communique on the Principles of Investment Services, Activities and the Ancillary Services" which was published in Official Gazette number 28704 of July 11, 2013.

With these regulations, it has become mandatory that, related to customer accounts, all leveraged transactions realized in the customer accounts, assets transfers, realized profit and losses derived from the closed positions, potential profit and loss amounts related to open positions, all kinds of commission fees, fees and tax amounts accrued on the accounts, as well as information on the collateral status on the accounts, are reported to Takasbank, which had been authorized by the Capital Markets Board as a trade repository institution for the Leveraged Transactions.

In this context, further improvement of leveraged trading practices were completed and made operational in 2011 for the members of Takasbank. This continued in 2014 and new regulations were commissioned to enable effective and efficient development of the process. By the end of 2014, the market consisting of 39 institutions, safe kept collateral with a value of TL 449.1 million in 51,377 accounts while the number of open accounts was 78,755.

YEARLY ANNUAL DATA ON LEVERAGED TRANSACTION OPERATIONS

	2012/12	2013/12	2014/12
Number of Members	23	33	39
Number of Accounts	16,670	43,194	78,755
Number of Accounts with Collateral	11,543	29,709	51,377
Collateral Amount (million TL)	139.0	280.5	449.1
Value of Open Interest (million TL)	2,851.1	5,326.1	8,456.3
Total Trading Volume (million TL)	1,102,364.1	2,953,147.6	4,569,463.6
Daily Average Trading Volume (million TL)	4,223.6	11,812.6	18,205.0

Asset Transfer

➤ **Equities and Other Equity-Like Instruments Transfer**

The RTGS DvP transfer system allowing simultaneous securities and cash transfer executed transfer of securities with market value of TL 412.43 billion and TL 411.48 billion cash transfer in 2014. Of these operations, TL 2.76 billion was settlement-defined RTGS DvP transfers. Furthermore, collective investment schemes executed free of payment transactions with a market value of TL 35.04 billion in total.

Due to the integration of the Real Time Gross Settlement DvP transfer system with SWIFT system, SWIFT member organizations can transmit their orders of Real Time Gross DvP Settlement transfers via SWIFT and SWIFT transactions are directly input into Takasbank Real Time Gross Settlement DvP System. In 2013, 62.87 % of the Real Time Gross Settlement DvP orders have been submitted through SWIFT system.

Real Time Gross Settlement DvP System also allows the organizations to execute pre-matching electronically. The ratio of the orders of Real Time Gross Settlement DvP transfers with forward value date entered in the system for pre-matching via Takasbank screens or SWIFT, was recorded as 72.06 % in the same period.

FOP AND RTGS DVP SETTLEMENTS IN 2014 (BILLION TL)

Months	Free of Payment	Real Time Gross Settlement DVP	Total Transactions
January-February	4.08	66.60	70.68
March-April	5.00	63.16	68.17
May-June	5.68	68.89	74.57
July-August	5.48	61.70	67.18
September-October	5.86	68.00	73.86
November-December	8.94	84.08	93.02
Total	35.04	412.43	447.47

INCOMING INSTRUCTIONS VIA SWIFT IN 2014 (BILLION TL)

Months	Total Amount of Orders	Total Amount of Orders Submitted via SWIFT	Swift / Total (%)
January	73.79	47.00	63.70
February	60.13	38.85	64.60
March	59.81	37.73	63.08
April	65.30	41.01	62.81
May	63.75	40.08	62.87
June	73.41	45.96	62.60
July	55.39	33.92	61.23
August	68.02	41.73	61.36
September	64.99	40.15	61.77
October	70.77	44.66	63.10
November	76.01	47.55	62.56
December	91.66	58.84	64.20
Total	823.04	517.48	62.87

REAL TIME GROSS SETTLEMENT DVP TRANSACTIONS WITH FORWARD VALUE DATE IN 2014 (THOUSAND)

Months	Total Amount of Orders	Number of Orders with a Forward Value Date	Orders with a Forward Value Date/Total Number of Orders (%)
January	121.03	89.88	74.27
February	98.84	75.76	76.65
March	100.10	75.40	75.33
April	98.80	74.36	75.26
May	94.77	67.26	70.96
June	102.82	76.18	74.09
July	87.69	45.98	52.43
August	105.38	76.96	73.03
September	102.96	75.09	72.93
October	100.65	74.91	74.43
November	115.32	85.12	73.81
December	136.71	94.72	69.29
Total	1,265.08	911.62	72.06

> Debt Securities Transfer Service

In 2014, Takasbank provided to its customers a total of 2,215,696 million TL/nominal debt securities transfer service, of which 2.211.138,13 million TL/nominal consists of free of payment transfers and 4.558,28 million TL/nominal consists of RTGS DvP transfers.

2014 DEBT SECURITIES TRANSFER TRANSACTIONS (MILLION TL)

Type	Quantity	Nominal (million TL)
Real Time Gross DVP	2,891	4,558.28
Free Transfer	187,461	2,211,138.13
EMKT	44,785	1,719,907.92
Total	235,137	3,935,604.33

> Exchange-Traded Funds Service

In 2014, fund share creation and redemption transactions in total amount of TL 5,030.68 million were executed in the exchange traded funds based on the share certificates, precious metals, government debt securities and foreign securities.

Local Currency Payment and Transfer Service

Takasbank ranked the 4th bank with the highest volume in the outgoing EFT volume in 2014.

With respect to local currency payment and transfer services, Takasbank provides the services via CBRT Payment Systems (EFT, EMKT, POS, HIS) for use by its members and also uses these systems in the services it provides.

Takasbank has enabled the brokerage houses to connect to EFT and EMKT systems through Takasbank Electronic Transfer System and has an important place in EFT system with the synergy generated by other services and TETS.

TOTAL QUANTITY AND VALUE OF INCOMING/OUTGOING CASH MESSAGES IN THE PERIOD OF 2012-2014			
Year	Incoming/Outgoing	Total Quantity	Total Value (million TL)
2012	Outgoing	378,786	1,935,127
	Incoming	211,143	1,963,963
2013	Outgoing	357,775	2,379,558
	Incoming	223,816	2,462,261
2014	Outgoing	341,884	2,228,140
	Incoming	235,513	2,230,193

BID OFFERS VIA TAKASBANK ELECTRONIC TRANSFER SYSTEM IN THE PERIOD OF 2012-2014

Year	Number of Bidding Offers	Nominal Value of Bidding Offers (million TL)
2012	64	187
2013	129	606
2014	113	84

Foreign Currency Payment and Transfer

Takasbank members can use USD or EUR cash amounts they transfer to Takasbank cash correspondents for their collateral and settlement transactions. Moreover, they can transfer the amounts in their cash accounts held with Takasbank to any other member's account at Takasbank or they can transfer to any other bank's account via SWIFT system. Foreign currency payment and transfer operations are executed as part of the collateral operations executed by Takasbank.

Intermediary institutions can transfer USD or EUR amounts held with their Takasbank accounts to other bank accounts via their own terminals or through SWIFT system by upon a written instruction.

In addition, the transfer transactions of the members between their USD and EURO denominated free current accounts at Takasbank also became operational on 15 October 2014.

Numbering Service

Allocation of ISIN and CFI codes

Takasbank was authorized as "National Numbering Agency of Turkey" in 1995 by the Capital Markets Board and since then Takasbank has been allocating international securities identification code (ISIN - ISO 6166) and financial institution classification codes (CFI - ISO 10962) to the securities and other financial instruments issued in local markets.

ISIN CODES ALLOCATED BY TAKASBANK IN 2014

Type of Securities	Number
VIOP Options	2,756
Domestic Warrants	1,006
Foreign Warrants	634
Bank Bills	252
Government Debt Securities	172
VIOP Futures	162
Corporate Bonds	149
Electronic Commodity Certificates	143
Index	134
Commercial Papers	88
ISINs in other categories	36
Stock	33
Asset Backed Securities	33
Sukuk-Undersecretariat of Treasury	32
Mutual Funds	30
Sukuk	16
Stock Rights	15
Pension Funds	8
Precious Metals	7
Turkish Lira Cross Exchange Rate	5
Exchange Traded Fund	1
Receipt	1
Asset Guaranteed Securities	1
Total	5,714

Allocation of LEI codes

In addition to Takasbank securities numbering services, Takasbank obtained required prefix (7890) to allocate legal entity identification code for financial institutions from Financial Stability Board with the sponsorship of the Capital Markets Board . Takasbank has been allocating pre-LEI (Legal Entity Identifier) codes in accordance with the ISO 17442 standards since July 31, 2013. Furthermore, Takasbank was endorsed by Regulatory Oversight Committee (ROC) as the authorized local operating unit, in November 2013. Takasbank has technical and legal infrastructure necessary to allocate pre-LEI codes to all financial institutions operating not only in Turkey but worldwide, thanks to which all pre-LEI codes allocated by Takasbank may be used in international and audit reports.

With this regard, from the first quarter of 2014 onwards; local and international institutions may apply to obtain LEI code, update their information, pay their annual maintenance fee through Takasbank web portal through the following address [https:// www.leiturkey.com](https://www.leiturkey.com).

So far Takasbank has assigned legal entity identifier code to 70 institutions, 10 of being foreign institutions and additionally 3 institutions transferred their LEI codes.

Global LEI Foundation-GLEIF was established on 26th of June, 2014 in Switzerland to centralize all the global legal identifier codes allocated, to follow up all the regulation and supervisory studies conducted by ROC as well as assuring if pre-Local Operating Units implements fully ISO17442 standards. Takasbank has diligently participated to GLEIF assignments at its foundation stage and currently is working on preparation and constitution of the Master Agreement to be signed between pre-LOUs and GLEIF.

Member Information Management Service

MEMBER ACCOUNTS (AS OF 31 DECEMBER 2014)

Membership Type	Quantity
Brokerage Houses	86
Banks	41
Electricity Market Members	853
Pension Companies	19
Real Estate Investment Trusts	24
Venture Capital Trusts	10
Participation Banks	4
Precious Metals Brokerage Houses	72
Institutional Investor	17
Portfolio Management Company	42
Insurance Company	4
Mercantile Exchanges and Licensed Warehouses	12
Mutual Trust	13
Total	1,197

Within the framework of Capital Market transactions, membership and account opening operations of the financial institutions have continued to rise in the operating year of 2014. Throughout the year, the agreements were signed and accounts opened for 170 institutions, as presented in the following table.

Membership Type and Accounts	Quantity
Brokerage Houses	1
Exchange Traded Fund	1
Electricity Market Members	113
Pension Fund	10
Pension Company	1
Venture Capital Trusts	3
Precious Metals Brokerage Houses	4
Portfolio Management Company	2
Commodity Exchanges and Licensed Warehouses	10
Mutual Funds	25
Total	170

In 2013, accounts and agreements with Takasbank of the organizations given below were terminated as per their request.

Membership Type	Quantity
Brokerage House	1
Bank	1
Exchange Traded Fund	1
Electricity Market Members	3
Pension Company	1
Venture Capital Trust	1
Institutional Investor	1
Portfolio Management Company	3
Mutual Funds	57
Mutual Trust	1
Total	70

Data Vending Service

Within the scope of Periodical Information Transfer Service to the Data Vending Companies, information was provided to the data vendors in 2013 about the consolidated securities balances of the mutual trusts, pension funds and mutual funds, fund portfolio distribution, fund company information, fund analyses and funds traded at the Turkey Electronic Trading Platform.

Collateral Agency Services to Mortgage Financing Firms

For funding the housing loans granted by Şeker Mortgage Finansman A.Ş., Takasbank has provided collateral and account management service for the loan to be used by Şeker Finans under the loan contract signed between Şeker Mortgage Finansman A.Ş. and Overseas Private Investment Corporation (OPIC).

The reception, review and storage of the mortgage documents delivered by the housing finance organization to which service has been given under the agreement made in 2011 continued throughout 2014. In 2014, 1,589 loan files were received with the total number of files reaching to 4,920 as of December 31, 2014. The average loan amount per file was recorded as TL 88,000.

Brokerage Houses Capital Requirements Collateral Safekeeping Service

Total amount of the collaterals monitored by Takasbank on behalf of the Capital Markets Board is TL 90.4 million as of 31 December 2014 and its breakdown on the basis of collateral type is presented in the following table.

Type of Collateral	Market Value
TL	6,820,154.08
Government Bond	30,088,756.98
Letter of Guarantee	53,573,253.00
Total	90,482,164.06

Repo-Reverse Repo Transactions and Monitoring and Reporting Service

Repo and reverse repo operations and transactions with breached maturity executed by the brokerage houses and banks outside Borsa İstanbul should be reported to Takasbank. Moreover, securities subject to such transactions should be safe kept at Takasbank. In this respect, the following table shows monthly breakdown of securities of the brokerage houses and banks kept by Takasbank for repo blockage in 2014.

MONTHLY REPO BLOCKAGE IN 2014	
Month (2014)	Nominal Value (million)
January	49,310,568,437
February	81,255,381,728
March	78,578,511,559
April	80,332,354,840
May	59,263,855,748
June	51,347,552,788
July	48,791,002,631
August	56,557,965,135
September	52,833,994,233
October	47,154,508,547
November	54,194,015,648
December	66,068,684,302



Financial Information and Risk Management



Evaluation of Financial Situation, Profitability and Solvency

As of 31 December 2014, total assets of Takasbank remained at almost the same level as the previous period and realized as 5,495,623 thousand TL.

As was the case with the data of previous periods, Banks item constituted a significant portion of Takasbank's total assets in the current operation period. Banks item and Credits item accounted respectively for 92.3% (5,070,778 thousand TL) and 3.1% (169,177 thousand TL) of Takasbank's total assets; whereas Held-to-Maturity Investments item where the Government Domestic Debt Securities included in the portfolio are monitored accounted for 3.1% (168,467 thousand TL).

As of the date of the balance sheet, Takasbank borrowed loans amounting to 1,772,276 thousand TL from the local market and this amount accounted for 32.2% of total liabilities. As of the balance sheet date, there were no credits utilized from abroad. Miscellaneous Payables item, where member cash collaterals are mainly monitored, accounted for 50.7% of the total liabilities. In 2014, the Bank's capital was increased to 600,000 thousand TL from 420,000 thousand TL; and 120,000 thousand TL of 180,000 thousand TL capital increase was covered from internal sources, whereas 60,000 thousand TL of it was paid in cash by Borsa İstanbul due to the limitation of the subscription rights of other shareholders. Having the new share acquisition right exercised with premium, 33 million TL share premium was collected from Borsa İstanbul A.Ş. As of year-end, our shareholders' equity reached 800,244 thousand TL.

The profitability of the Bank continued its increasing trend in recent years. The pre-tax profit of the Bank increased by 49% compared with the previous year and was realized as 150,547 thousand TL.

To manage its liquidity risk, the Bank acts in accordance with the principle of maintaining high amount of liquid assets against its liabilities in its balance sheet.

Evaluation of the Audit Committee

İstanbul Takas ve Saklama Bankası A.Ş.
Evaluation of the Audit Committee on 2014 Activities of Internal Audit, Internal Control and Compliance and Risk Management Units.

Number: 2015/DK/03

İstanbul, 19.01.2015

Takasbank's activities under the scope of internal control, internal audit and risk management are conducted by the Board of Directors, Executive Management, and the personnel on all levels as well as the Internal Audit, the Internal Control and Compliance and the Risk Management teams, in compliance with the relevant legislation and the Bank's internal regulation.

In 2014, Internal Audit Team performed a periodical and risk-based audit of all the activities of the Bank and assured the Executive Management that all activities were in compliance with the relevant legislation in effect and the Bank's strategies, policies, principles and goals, and concluded that the internal audit and risk management systems were effective and satisfactory.

Risk assessments, internal risk measurements and partial/plenary stress tests as well as risk monitoring and review activities, internal audit plan, internal audit reports, activity reports of the internal system units, internal control program, support service risk management program, risk analysis reports as well as technical adequacy reports and the other relevant documents, which have been submitted to our Committee during the year 2014 by the Internal Audit Team, Internal Control and Compliance Team and Risk Management Team, positioned in an administratively independent manner from each other and subordinated to our Board of Directors through our Audit Committee, in accordance with the provisions of the Regulation on the Bank's Internal Systems and Internal Capital Adequacy Assessment Process, were evaluated during the meetings held, the reports related to the decisions of our Committee were submitted to our Board of Directors, and thus information flow to our Board of Directors and our General Management was facilitated.

Central Counterparty Stress Test Results Report prepared pursuant to article 40 "Stress tests" of the İstanbul Takas ve Saklama Bankası A.S. Central Counterparty Regulation (Regulation) published in the Official Gazette number 28735 dated August 14, 2013, have been submitted to our Board of Directors, too.

The general risk level of Takasbank's operations relates not only to individuals and institutions operating on a domestic level, but also to international investors making portfolio investments in Turkey's capital markets. Accordingly Takasbank has embraced the mission of delivering its services at international standards and thus

to create and operate efficient internal audit, internal control and risk management mechanisms.

Sustaining the activities of the Bank in a manageable and controllable manner, so as to establish the balance between income and expense and by taking risk at a reasonable level forms the general risk policy of the Bank. The risk capacity of the Bank is determined in accordance with its capital adequacy policy. Our Bank manages its risks in a manner to ensure that they stay above/below the minimum/maximum limits designated in all legal regulations and remain under the limits and signal values and the risk appetites approved by the Board of Directors. Results of the activities conducted for the risk management are taken into account in the strategic decision making processes of the Bank.

Since Takasbank considers the internal audit and control processes as an integral part of its operations, reporting modules that enable effective monitoring and control of transactions conducted almost entirely in electronic format are integrated with software applications. Moreover, necessary controls are carried out during the execution of transactions by way of various techniques such as, separation of powers and duties for critical transactions, application of approval-authorization mechanisms during the performance of operations, examination of limits in an electronic environment, inquiry and reconciliation and other methods for the control of material components. In addition to the control functions performed by our respective management units within Takasbank's hierarchical management structure, the activities of our departments were audited on a regular basis by our Internal Audit Team that reports to the Board of Directors and performs analyses and audits on behalf of the Board, and by our Internal Control and Compliance Team in specific periods.

Furthermore; monitoring and announcing legislative changes concerning our Bank and evaluating the compliance of new products and services with the related regulations were executed by the Internal Control and Compliance Team; and the risk assessment of new products and services and the risk analysis reports and risk management program relating to the support services were carried out by the Risk Management Team.

The Internal Capital Adequacy Assessment Process (ICAAP) Report and the Stress Report enclosed to the said report prepared under the coordination of the Risk Management Team for 2013, the Validation Report prepared by the Internal Control and Compliance Team, and the Review Report prepared by the Internal Audit Team were submitted to us; and the foregoing reports were approved by the Board of Directors meeting numbered 273 dated 27/08/2014 and were conveyed to the Banking Regulation and Supervision Agency.

Practices that would constitute the basis of the Management Statement were undertaken jointly by the Internal Audit and the Internal Control and Compliance teams in accordance with the program approved by the Audit Committee. The Clearing and Settlement, Custody, Credits, Market Operation, Accounting, Financial Reporting, Treasury/Securities and Fund Management, Payment Systems, Collateral Management, Member Affairs, ISIN Allocation, Financial Analysis services and processes of our Bank were included into the scope of "Banking Processes Audit"; whereas the audit of information technologies processes of our Bank was conducted on the basis of the provisions of COBIT framework and the "Communique on Principles Governing IT Management in Banks". The results of the process audits were reported to relevant units and management levels so as to ensure that the necessary actions were planned and taken.

Takasbank carries out its operations in conformity with applicable legislation, adhering to the Bank's general policies and internal regulations; and our Internal Audit, Internal Control and Compliance and Risk Management Departments structured and operating in accordance with the Regulation on "the Banks' Internal Systems and the Internal Capital Adequacy Assessment Process" creates significant added-value in line with the major objectives and policies of Takasbank.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
AUDIT COMMITTEE**

Ali Şir YARDIM
Member of Audit Committee
Board Member



Dr. Serhad SATOĞLU
Chairman of Audit Committee
Board Member



**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT,
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I OF SECTION THREE**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2014**

**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S
REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of İstanbul Takas ve Saklama Bankası A.Ş.

We have audited the accompanying unconsolidated balance sheet of İstanbul Takas ve Saklama Bankası A.Ş. ("the Bank") at 31 December 2014 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the unconsolidated financial statements; and for selecting and applying appropriate accounting policies in compliance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published or declared by the Banking Regulation and Supervision Agency ("the BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these unconsolidated financial statements based on our audit. Our independent audit has been implemented in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006 and Independent Auditing Standards that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

Independent Auditor's Opinion:

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of İstanbul Takas ve Saklama Bankası A.Ş. at 31 December 2014 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411 and other regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Report on other Responsibilities arising from Regulatory Requirements:

1. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
2. In accordance with Article 402 paragraph 4 of TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

As explained in detail in Note "I. Basis of Presentation" of Section 3, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Haluk Yalçın,
Partner

İstanbul, 20 February 2015

**THE YEAR END UNCONSOLIDATED FINANCIAL REPORT OF
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 31 DECEMBER 2014**

Address of the Bank's Headquarters : Şişli Merkez Mahallesi, Merkez Caddesi,
Takasbank Genel Müdürlüğü No:6, İstanbul
Telephone of the Bank : (0 212) 315 25 25
Fax of the Bank : (0 212) 315 25 26
Web site of the Bank : www.takasbank.com.tr
E-mail for correspondence : rap@takasbank.com.tr

The unconsolidated year end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The accompanying year end unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

Birol Aydemir	Serhad Satoğlu	Ali Şir Yardım
Vice Chairman of the Management Board	Chairman of Audit Committee	Member of Audit Committee





Murat Ulus	Cengiz Özübek	Murat Görgün
General Manager	Vice General Manager	Manager





Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Ekrem Kaya/Assistant Manager
Telephone Number : (0 212) 315 22 29
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INDEX

SECTION ONE

GENERAL INFORMATION

I.	Bank's foundation date, start-up statute, history about the changes in this mentioned statute	151
II.	Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to	151-152
III.	Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess	153
IV.	Information on the Bank's Qualified Shareholders	153
V.	Information on the Bank's function and areas of activity	154
VI.	A short explanation of the differences between the "Communiqué on Preparation Of Consolidated Financial Statements Of Banks" and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods	154
VII.	Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	154

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Balance sheet (Statement of financial position)	155-156
II.	Off-balance sheet	157
III.	Income statement (Statement of profit and loss)	158
IV.	Statement of income and expense items accounted in equity	159
V.	Statement of changes in shareholders' equity	160-163
VI.	Statement of cash flows	164
VII.	Profit distribution table	165

INDEX

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I.	Basis of presentation	166
II.	Explanations on usage strategy of financial assets and foreign currency transactions	166-167
III.	Explanations on investments in associates, subsidiaries and joint ventures	167
IV.	Explanations on forward transactions, options contract and derivative instruments	167
V.	Explanations on interest income and expense	167
VI.	Explanations on fee and commission income and expense	167
VII.	Explanations and disclosures on financial assets	168-169
VIII.	Explanations on impairment of financial assets	170
IX.	Explanations on offsetting of financial assets and liabilities	170
X.	Explanations on sales and repurchase agreements and securities lending of securities	170
XI.	Explanations on assets held for sale and discontinued operations	170
XII.	Explanations on goodwill and other intangible assets	171
XIII.	Explanations on tangible fixed asset	171
XIV.	Explanations on leasing transactions	171
XV.	Explanations on provisions and contingent liabilities	172
XVI.	Explanations on liabilities regarding employee benefits	172-173
XVII.	Explanations on taxation	173
XVIII.	Additional explanations on funds borrowed	173
XIX.	Turkish derivative exchange cash guarantees	173
XX.	Explanations on acceptances	173
XXI.	Explanations on government incentives	173
XXII.	Explanations on segment reporting	174
XXIII.	Explanations on related parties	174
XXIV.	Explanations on cash and cash equivalents	174
XXV.	Reclassifications	174
XXVI.	Explanations on other matters	174

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION

I.	Explanations related to the capital adequacy standard ratio	174-181
II.	Explanations related to credit risk	182-189
III.	Explanations related to market risk	189-190
IV.	Explanations related to operational risk	190
V.	Explanations related to currency risk	191-192
VI.	Explanations related to interest rate risk	193-196
VII.	Explanations related to liquidity risk	197-200
VIII.	Risk management objectives and policies	200-201
IX.	Explanations related to presentation of financial assets and liabilities at fair value	202-203
X.	Explanations related to transactions made on behalf of others and fiduciary transactions	203
XI.	Explanations on segment reporting	204-205

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO
UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations related to the assets	206-218
II.	Explanations and notes related to the liabilities	218-225
III.	Explanations and notes related to the off-balance sheet accounts	225-228
IV.	Explanations and notes related to the income statement	228-232
V.	Explanations and notes related to statement of shareholders' equity movement	233
VI.	Explanations and notes related to statement of cash flows	234
VII.	Explanations and notes related to Bank's risk group	235-236
VIII.	Explanations and notes on the Bank's domestic branches, agencies and branches abroad and off-shore branches	236
IX.	Explanations and notes related to subsequent events	236

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I.	Other explanations on the operations of the Bank	237
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SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I.	Explanations on independent auditor's report	237
II.	Other footnotes and explanations prepared by independent auditor	237

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION

SECTION ONE

GENERAL INFORMATION

I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute:

The Bank was originally set up as a department of the İstanbul Stock Exchange ("ISE") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) (Hereinafter referred to as "Takasbank" or the "Bank"), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the decision made in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. and this title change was approved in 11/04/2013.

II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to:

As of 31 December 2014 and 31 December 2013 the shareholders' structure and their respective ownerships are summarized as follows:

No	Name of shareholders	Current Period		Prior Period	
		Paid in Capital	%	Paid in Capital	%
1	Borsa İstanbul A.Ş. (*)	373,515	62.25	218,638	52.06
2	Phillip Capital Menkul Değerler A.Ş.	27,000	4.50	21,000	5.00
3	Tacirler Menkul Değerler A.Ş.	27,000	4.50	21,000	5.00
4	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,235	4.37	20,405	4.86
5	T. Garanti Bankası A.Ş.	26,235	4.37	20,405	4.86
6	Türkiye İş Bankası A.Ş.	26,235	4.37	20,405	4.86
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	20,405	4.86
8	T. Sınai Kalkınma Bankası A.Ş.	-	0.00	21,000	5.00
9	Other (38 Items) (31 December 2013: 43 Items)	39,574	6.60	34,986	8.33
10	Other Banks(10 Items) (31 December 2013: 10 Items)	27,971	4.67	21,756	5.17
Total		600,000	100.00	420,000	100.00

(*) Previous firm name "İstanbul Stock Exchange" (ISE)

62.25% of the Bank's shares are owned by BİAŞ. Capital Markets Board Law no. 6362 went into force after being in published in the Official Gazette dated December 30, 2012. Pursuant to article 138 of the Law, Borsa İstanbul A.Ş. was founded on the same date, for the purpose of serving as a securities exchange. In accordance with the provisions of the Law and the related legislation, to ensure that capital markets instruments, foreign currencies, precious metals and gems, and other contracts, documents, and assets approved by the Capital Markets Board of Turkey are traded subject to free trade conditions in a facile and secure manner, in a transparent, efficient, competitive, fair and stable environment; to create, establish and develop markets, sub-markets, platforms, systems and other organized market places for the purpose of matching or facilitating the matching of the buy and sell orders for the above mentioned assets and to determine and announce the discovered prices; to manage and/or operate the aforementioned or other exchanges or markets of other exchanges; and to carry out the other activities listed in its Articles of Association." Established on the basis of Capital Markets Law no. 6362, Borsa İstanbul is a internal entity under private law. Borsa İstanbul is a self-regulatory entity.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

The changes in shareholders in the current period are shown below:

Old Shareholder	New Shareholder (*)	Cost of Share	Ratio (%)	Description
T. Sınai Kalkınma Bankası A.Ş.	Borsa İstanbul A.Ş.	21,000	5.0000	Devir
Oyak Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	5,247	0.8745	Devir
Ziraat Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	76	0.0182	Devir
Güney Menkul Değerler Ticaret A.Ş.	Borsa İstanbul A.Ş.	42	0.0100	Devir
Censa Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	7	0.0017	Devir
Ekspres Yatırım Menkul Değerler A.Ş.	Deniz Yatırım Menkul Değerler A.Ş.	26	0.0049	Devir
Optimal Menkul Değerler A.Ş.	İntegral Menkul Değerler A.Ş.	9	0.0015	Devir

(*) Indicates the bank's shares acquired by the existing shareholder Borsa İstanbul A.Ş.

Dividend payment:

In accordance with the Ordinary General Meeting dated 28 March 2014, dividend amounting to TL3,943 has been paid to shareholders and employees at 4 April 2014.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess:**Chairman and Members of the Board of Directors**

Name Surname	Position	Education
Dr. M. İbrahim Turhan (*)	President	Boğaziçi U. - İİBF - Business Administration / Graduate Marmara U. - School of Banking and Insurance / Master Marmara U. - School of Banking and Insurance/(Doctorate)
Bırol Aydemir	Member (Vice President)	Ankara U. - Political Sciences Fac. - Department of Public Finance (Master)
Murat Ulus	General Manager and Member (President of Credit Committee)	Ankara U. - Political Sciences Fac. Department of Labour Economics and Industrial Relations/ Graduate Boston University - Financial Economy / Master
Ali Şir Yardım (**)	Member (Member of Audit Committee)	ODTÜ - Departments of Economics /Graduate
Selim İnce	Member (Credit Committee Associate Member, Corporate Management Committee Member)	Marmara Ün. Fac. of Eco. and Ad. Sciences - Business Administration/ Grad. Marmara Ün. - Social Science Fac.-BA - Accounting Finance (With Thesis)
Dr. Serhad Satoğlu	Member (President of Audit Committee)	Marmara Ün. Fac. of Eco. and Ad. Sciences - Business Administration/ Grad. Marmara Ün. - Social Science Fac.-BA - Accounting Finance (With Thesis)
Güzide Meltem Kökden	Member (Credit Committee Member)	Ankara Ün. - Political Sciences Fac. - International Relations /Grad. Ankara Ün. - Institute of Social Sciences - European Communities Law / Master
Reşat Karabıyık	Member (Credit Committee Member)	Marmara Ün. - Faculty of Economic and Administrative Sciences / Graduate
Kerem Korur	Member (Credit Committee Associate Member)	İstanbul Ün. - Department of Economics / Economics Grad
Murat Ulus	General Manager and Member and member of the Board of Directors	Ankara U. - Political Sciences Fac. - Department of labour economics and industrial relations / Graduate
Dr. Sezai Bekgöz	Operations Dep,	Boston University - Financial Economy / Master Degree
Dr. Cengiz Özübek (*)	Support Services Department	ODTÜ- Faculty of Economic and Administrative Sciences-/ Business Adm./ Grad. Marmara Ün- School of Banking and Insurance/Master.- Capital Market and Stock Market /Master Marmara Ün.- School of Banking and Insurance Banking / Doktrate
Galip Karagöz	Information Technologies Depart- ment	Boğaziçi Ün. - Faculty of Engineering / Computer Engineering

(*) President Dr. M. İbrahim Turhan has resigned from his job on 10 February 2015.

(**) Regarding to the Board of Directors decision dated on 25 July 2014, Ali Şir Yardım has been assigned as a member instead of Ali Çöplü.

(*) At the Board of Directors meeting numbered 279 on 29th of January 2015, support services and banking operations were unified.

IV. Information on the Bank's Qualified Shareholders

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 62,25% of the Bank belongs to ISE. The Bank has nominal TL 200 preferred shares as of 31 December 2014 (31 December 2013: TL 200). The preferred shares belonging to ISE, provides the shareholder to be represented with more members in the Board of Directors.

Name-Surname/ Business Name	Share Amount	Share Proportions	Paid-in Shares	Unpaid Shares
BİAŞ	373,515	62.25	373,515	-

V. Information on the Bank's function and areas of activity:

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;

- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;

- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;

- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immovable goods or removing all kinds of moveable and immovable goods as well as all kinds of rights associated with them;

- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;

- Issuing all kinds of capital market instruments within the scope of capital market regulations; and becoming a member of current partnerships.

VI. A short explanation of the differences between the "Communiqué on Preparation Of Consolidated Financial Statements Of Banks" and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods.

None.

VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

SECTION TWO
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note (Section Five-I)	Current Period 31/12/2014		Prior Period 31/12/2013			
		TL	FC	TL	FC		
I. CASH AND BALANCES WITH CENTRAL BANK	I-(1)	54	-	54	48,763	293,233	341,996
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	I-(2)	1,256	-	1,256	1,609	-	1,609
2.1 Financial Assets held for trading		1,256	-	1,256	1,609	-	1,609
2.1.1 Government Debt Securities		1,256	-	1,256	1,609	-	1,609
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		-	-	-	-	-	-
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	I-(3)	3,228,643	1,842,135	5,070,778	2,978,032	1,705,378	4,683,410
IV. MONEY MARKETS	I-(3)	24,786	-	24,786	16,034	-	16,034
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from İstanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		24,786	-	24,786	16,034	-	16,034
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-(4)	1,171	326	1,497	1,079	339	1,418
5.1 Share Certificates		1,171	326	1,497	1,079	339	1,418
5.2 Government Debt Securities		-	-	-	-	-	-
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	I-(5)	169,177	-	169,177	282,291	-	282,291
6.1 Loans		169,177	-	169,177	282,291	-	282,291
6.1.1 Loans to Bank's Risk Group		92,124	-	92,124	222,278	-	222,278
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		77,053	-	77,053	60,013	-	60,013
6.2 Loans under Follow-up		1,637	-	1,637	1,637	-	1,637
6.3 Specific Provisions (-)		1,637	-	1,637	1,637	-	1,637
VII. FACTORING RECEIVABLES	I-(6)	168,467	-	168,467	239,826	-	239,826
VIII. HELD-TO-MATURITY SECURITIES (Net)		168,467	-	168,467	239,826	-	239,826
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities	I-(7)	-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)		-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	I-(8)	4,825	-	4,825	4,825	-	4,825
10.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825	4,825	-	4,825
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (NET) (Net)	I-(9)	-	-	-	-	-	-
11.1 Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-(10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-(11)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	I-(12)	17,115	-	17,115	14,413	-	14,413
XV. INTANGIBLE ASSETS (Net)	I-(13)	1,423	-	1,423	884	-	884
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1,423	-	1,423	884	-	884
XVI. INVESTMENT PROPERTY (Net)	I-(14)	-	-	-	-	-	-
XVII. TAX ASSET	I-(15)	4,013	-	4,013	2,679	-	2,679
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset		4,013	-	4,013	2,679	-	2,679
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-(16)	-	-	-	-	-	-
18.1 Held for Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-(17)	32,212	20	32,232	6,641	-	6,641
TOTAL ASSETS		3,653,142	1,842,481	5,495,623	3,597,076	1,998,950	5,596,026

The accompanying explanations and notes form an integral part of these financial statements.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (Continued)

	Note (Section Five-I)	Current Period 31/12/2014			Prior Period 31/12/2013		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	II-(1)	-	-	-	-	-	-
1.1 Deposits of Bank's Risk Group		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-(2)	-	-	-	-	-	-
III. FUNDS BORROWED	II-(3)	478,356	1,293,920	1,772,276	459,141	1,574,109	2,033,250
IV. MONEY MARKETS		-	-	-	209,469	-	209,469
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from İstanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		-	-	-	209,469	-	209,469
V. MARKETABLE SECURITIES ISSUED (Net)	II-(4)	-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	II-(5)	2,243,636	544,873	2,788,509	2,167,805	423,422	2,591,227
VIII. OTHER LIABILITIES	II-(5)	79,238	1	79,239	124,780	7	124,787
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	II-(6)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-(7)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	II-(8)	43,971	-	43,971	37,473	-	37,473
12.1 General Loan Loss Provision		23,985	-	23,985	22,980	-	22,980
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		10,915	-	10,915	7,100	-	7,100
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		9,071	-	9,071	7,393	-	7,393
XIII. TAX LIABILITY	II-(9)	11,384	-	11,384	9,424	-	9,424
13.1 Current Tax Liability		11,384	-	11,384	9,424	-	9,424
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS	II-(10)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	II-(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	II-(12)	800,244	-	800,244	590,396	-	590,396
16.1 Paid-in Capital		600,000	-	600,000	420,000	-	420,000
16.2 Capital Reserves		37,107	-	37,107	4,107	-	4,107
16.2.1 Share Premium		33,019	-	33,019	19	-	19
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve		-	-	-	-	-	-
16.2.4 Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8 Hedging Reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Value Differences of Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		4,088	-	4,088	4,088	-	4,088
16.3 Profit Reserves		39,206	-	39,206	82,679	-	82,679
16.3.1 Legal Reserves	II-(12)	27,857	-	27,857	23,403	-	23,403
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves	II-(12)	9,531	-	9,531	56,007	-	56,007
16.3.4 Other Profit Reserves	II-(13)	1,818	-	1,818	3,269	-	3,269
16.4 Income or (Loss)		123,931	-	123,931	83,610	-	83,610
16.4.1 Prior Years' Income/ (Loss)		2,439	-	2,439	1,801	-	1,801
16.4.2 Current Year Income/ (Loss)		121,492	-	121,492	81,809	-	81,809
16.5 Minority Shares	II-(14)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		3,656,829	1,838,794	5,495,623	3,598,488	1,997,538	5,596,026

The accompanying explanations and notes form an integral part of these financial statements.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. OFF-BALANCE SHEET

	Note (Section Five-IV)	Current Period 31/12/2014			Prior Period 31/12/2013		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		6,639,126	38,171	6,677,297	5,830,770	-	5,830,770
I. GUARANTEES AND WARRANTIES	III-(1)	6,425,023	-	6,425,023	5,830,013	-	5,830,013
1.1. Letters of Guarantee		-	-	-	-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		-	-	-	-	-	-
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		6,425,023	-	6,425,023	5,830,013	-	5,830,013
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS		214,103	38,171	252,274	757	-	757
2.1. Irrevocable Commitments		214,103	-	214,103	757	-	757
2.1.1. Asset Purchase and Sales Commitments		-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Commitments for Loan Limits		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		214,103	-	214,103	757	-	757
2.2. Revocable Commitments		-	38,171	38,171	-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	38,171	38,171	-	-	-
2.2.2. Other Revocable Commitments		-	38,171	38,171	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign currency call options		-	-	-	-	-	-
3.2.3.2. Foreign currency put options		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,462,104,175	1,126,719	1,463,230,894	1,011,354,548	1,038,892	1,012,393,440
IV. ITEMS HELD IN CUSTODY		1,446,803,089	-	1,446,803,089	997,028,895	-	997,028,895
4.1. Customer Fund and Portfolio Balances		8	-	8	8	-	8
4.2. Investment Securities Held in Custody	III-(1)	1,446,801,581	-	1,446,801,581	997,027,387	-	997,027,387
4.3. Cheques Received for Collection		-	-	-	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		1,500	-	1,500	1,500	-	1,500
4.8. Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		15,301,086	1,126,719	16,427,805	14,325,653	1,038,892	15,364,545
5.1. Marketable Securities		7,796,624	1,126,719	8,923,343	7,365,213	1,038,892	8,404,105
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Real Estate		-	-	-	-	-	-
5.6. Other Pledged Items		7,504,462	-	7,504,462	6,960,440	-	6,960,440
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,468,743,301	1,164,890	1,469,908,191	1,017,185,318	1,038,892	1,018,224,210

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE PERIODS ENDED 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. INCOME STATEMENT

	Note (Section Five)	Current Period 01/01-31/12/2014	Prior Period 01/01-31/12/2013
I. INTEREST INCOME	IV-(1)	179,323	123,670
1.1 Interest on Loans		8,489	12,008
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks		146,563	104,699
1.4 Interest Received from Money Market Transactions		-	-
1.5 Interest Received from Marketable Securities Portfolio		24,158	6,894
1.5.1 Financial Assets Held for Trading		-	-
1.5.2 Financial Assets at Fair Value through Profit or Loss		114	-
1.5.3 Available-for-sale Financial Assets		-	-
1.5.4 Investments Held-to-maturity		24,044	6,894
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		113	69
II. INTEREST EXPENSE (-)	IV-(2)	40,076	32,912
2.1 Interest on Deposits (-)		-	-
2.2 Interest on Funds Borrowed (-)		40,076	32,912
2.3 Interest on Money Market Borrowings (-)		-	-
2.4 Interest on Securities Issued (-)		-	-
2.5 Other Interest Expenses (-)		-	-
III. NET INTEREST INCOME (I - II)		139,247	90,758
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		73,165	59,130
4.1 Fees and Commissions Received		78,492	63,334
4.1.1 Non-cash Loans		16,932	15,405
4.1.2 Other	IV-(11)	61,560	47,929
4.2 Fees and Commissions Paid (-)	IV-(12)	5,327	4,204
4.2.1 Non-cash Loans (-)		-	-
4.2.2 Other (-)		5,327	4,204
V. DIVIDEND INCOME	IV-(3)	6,166	7,334
VI. TRADING INCOME/(LOSS) (Net)	IV-(4)	320	298
6.1 Securities trading gains / losses		270	-
6.2 Securities Trading Gains/(Losses) on Derivative Financial Instruments		-	-
6.3 Foreign Exchange Gains/(Losses)		50	298
VII. OTHER OPERATING INCOME	IV-(5),(11)	241	68
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		219,139	157,588
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-(6)	1,005	3,080
X. OTHER OPERATING EXPENSES (-)	IV-(7)	67,587	53,288
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		150,547	101,220
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)		150,547	101,220
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-(8)	(29,055)	(19,411)
16.1 Current Tax Provision		(30,026)	(19,792)
16.2 Deferred Tax Provision		971	381
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	IV-(9)	121,492	81,809
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-Current Assets Held for Sale		-	-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other Income from Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expense from Non-Current Assets Held for Sale		-	-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Expenses from Discontinued Operations		-	-
XX. INCOME/(LOSS) FROM DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-(10)	121,492	81,809
Earnings/(Loss) per share		0.21244	0.15150

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY

	Current Period 01/01-31/12/2014	Prior Period 01/01-31/12/2013
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	-	-
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERROR	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	(1,814)	(53)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	363	11
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	(1,451)	(42)
XI. CURRENT PERIOD INCOME/LOSS	-	-
1.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-	-
1.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
1.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
1.4 Other	-	-
XII. TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	(1,451)	(42)

The accompanying explanations and notes form an integral part of these financial statements.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five-V)	Paid-in Capital	Adjust- ment to Share Capital	Share Premium	Share Cancel- lation Profits	Legal Reserves	Status Reserves	Extraor- dinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Before Minority Shares	Minority Shares	Total Equity
Current Period 01.01 – 31.12.2014																			
I.		420,000	4,088	19	-	23,403	-	56,007	3,269	-	83,610	-	-	-	-	-	590,396	-	590,396
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		180,000	-	-	-	-	-	(120,000)	-	-	-	-	-	-	-	-	60,000	-	60,000
12.1		60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000	-	60,000
12.2		120,000	-	-	-	-	-	(120,000)	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	33,000	-	-	-	-	-	-	-	-	-	-	-	-	33,000	-	33,000
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	(1,451)	-	-	-	-	-	-	-	(1,451)	-	(1,451)
XVII.		-	-	-	-	-	-	-	-	121,492	-	-	-	-	-	-	121,492	-	121,492
XVIII.	II-(15)	-	-	-	-	4,454	-	73,524	-	-	(81,171)	-	-	-	-	-	(3,193)	-	(3,193)
18.1		-	-	-	-	-	-	-	-	-	(3,943)	-	-	-	-	-	(3,943)	-	(3,943)
18.2		-	-	-	-	4,454	-	73,524	-	-	(77,228)	-	-	-	-	-	750	-	750
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		600,000	4,088	33,019	-	27,857	-	9,531	1,818	121,492	2,439	-	-	-	-	-	800,244	-	800,244

The accompanying explanations and notes form an integral part of these financial statements.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR ENDED YEAR 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five-V)	Paid-in Capital	Adjust- ment to Share Capital	Share Premium	Share Cancel- lation Profits	Legal Reserves	Status Reserves	Extraor- dinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Before Minority Shares	Minority Shares	Total Equity
Prior Period 01.01 – 31.12.2013																			
I.	Prior Period End Balance Changes in the Period	60,000	96,788	-	-	23,034	-	91,503	3,269	-	57,011	-	-	-	-	-	331,605	-	331,605
II.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedging Reserves (Effec- tive Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in As- sociates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differ- ence	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclas- sification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	360,000	(92,700)	-	-	-	-	(87,300)	-	-	-	-	-	-	-	-	180,000	-	180,000
12.1	Cash	180,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180,000	-	180,000
12.2	Internal Resources	180,000	(92,700)	-	-	-	-	(87,300)	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium	-	-	19	-	-	-	-	-	-	-	-	-	-	-	-	19	-	19
XIV.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	(42)	-	-	-	-	-	(42)	-	(42)
XVII.	Current Year Income or Loss	-	-	-	-	-	-	-	-	81,809	-	-	-	-	-	-	81,809	-	81,809
XVIII.	Profit Distribution	II-(15)	-	-	-	369	-	51,804	-	-	(55,168)	-	-	-	-	-	(2,995)	-	(2,995)
18.1	Dividend Paid	-	-	-	-	-	-	-	-	-	(3,695)	-	-	-	-	-	(3,695)	-	(3,695)
18.2	Transfers to Reserves	-	-	-	-	369	-	51,804	-	-	(51,473)	-	-	-	-	-	700	-	700
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+II+III+...+XVI+XVII+XVIII)	420,000	4,088	19	-	23,403	-	56,007	3,269	81,809	1,801	-	-	-	-	-	590,396	-	590,396

The accompanying explanations and notes form an integral part of these financial statements.

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note (Section Five)	Current Period 31/12/2014	Prior Period 31/12/2013
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1		124,703	48,631
1.1.1		178,132	119,521
1.1.2		(39,611)	(32,771)
1.1.3		6,166	7,334
1.1.4		78,493	63,332
1.1.5		130	68
1.1.6		-	-
1.1.7		(39,670)	(30,962)
1.1.8		(27,170)	(12,993)
1.1.9		(31,767)	(64,898)
1.2		(77,597)	1,421,664
1.2.1		318	2,344
1.2.2		-	-
1.2.3		-	-
1.2.4		113,260	(174,927)
1.2.5		250,716	(222,894)
1.2.6		-	-
1.2.7		-	-
1.2.8		(537,827)	1,183,608
1.2.9		-	-
1.2.10		95,936	633,533
I.		47,106	1,470,295
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.		68,689	(242,182)
2.1		-	-
2.2		-	-
2.3		(8,430)	(3,921)
2.4		3,012	294
2.5		-	-
2.6		-	-
2.7		(213,250)	(236,992)
2.8		289,845	2,099
2.9		(2,488)	(3,662)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.		56,057	(3,695)
3.1		-	-
3.2		-	-
3.3		-	-
3.4		(3,943)	(3,695)
3.5		-	-
3.6		60,000	-
IV.		159,330	39,241
V.		331,182	1,263,659
VI.		4,730,026	3,466,367
VII.		5,061,208	4,730,026

The accompanying explanations and notes form an integral part of these financial statements.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. PROFIT DISTRIBUTION TABLE

	(*)Current Period 31/12/2014	Prior Period 31/12/2013
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	150,547	101,220
1.2	(29,055)	(19,411)
1.2.1	(30,026)	(19,792)
1.2.2	-	-
1.2.3	971	381
A.	121,492	81,809
1.3	-	-
1.4	-	-
1.5	(971)	(381)
B.	120,521	81,428
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	394
1.11	-	-
1.12	-	73,524
1.13	-	-
1.14	-	-
II. DISTRIBUTION OF RESERVES		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
III. EARNINGS PER SHARE		
3.1	0.21244	0.15150
3.2	21.24	15.15
3.3	-	-
3.4	-	-
IV. DIVIDEND PER SHARE		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(*) Due to the fact that The Bank General Assembly Meeting has not been achieved by the report date, the decision regarding to profit distribution has not been taken.

(**) The amount that must be kept on the bank and presented on the mandatory legal funds is deferred tax income of the related period

The accompanying explanations and notes form an integral part of these financial statements

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

Presentation of financial statements

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents", "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Turkish Accounting Standards Board and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA.

The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 25702 dated 16 January 2005. The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act") which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement

Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

Preparation of financial statements at the current purchasing power

The indicators which are explained in the BRSA resolution dated 21 April 2005 and numbered 1623 and 28 April 2005 dated circular and 5th Article of Number 14 Communiqué of Accounting Application Regulations - "Preparation of Financial Statements in Hyperinflationary Periods", which is revoked on 1 November 2006, are no longer valid and banks' obligation to prepare their financial statements according to this regulation is no longer in effect.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II to XXV below.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank has placed its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders' equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has no area of operations for which a return is achieved above the average rate of return.

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. Related to the transactions in securities and money markets, transaction limits are established as risk limits.

Income and expenses which arise from foreign currency translation are accounted for at the period when transaction takes place. At period ends, balances of foreign currency asset and liability accounts are translated into TL by using period end T.R. Central Bank. Foreign exchange purchase rates. Exchange rate differences are accounted for as foreign currency gains and losses.

The Bank has available for sale instruments in foreign currencies amounting to TL 326 (31 December 2013: TL 339). In order to hedge interest rate risks arising from fixed or floating rate instruments, the Bank prefers short-term transactions.

The Bank hedges exchange rate risk arising from foreign currency denominated transactions by matching foreign currency liabilities with foreign currency assets.

The Bank has EUR 71,215 (SASE) share in Sarajevo Stock Exchange EUR 44,345 share in S.W.I.F.T.SCRL .

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

As it is explained on the 8. Footnote of the first part of fifth section, the Bank doesn't have the control or significant efficiency of Central Registration Entity, although the Bank owns 65% of it. Since the fair value measurement has not been properly realized in the financial statements, the related association has been measured with the historical cost after the deduction of impairment provision.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Bank has no derivative instruments used for hedging purposes as of the balance sheet date.

V. Explanations on interest Income and Expenses

Interest income and expenses are recognized at fair value and accounted for on accrual basis by effective interest rate method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability) by taking into account principle amount.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Explanations on fees and Commission Income and Expenses

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the ISE and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services.

On the above operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Assets

Financial instruments comprise financial assets and financial liabilities. Financial instruments constitute the basis of Bank's trading activities and operations. The risks related with these instruments comprise a major part of the total risk taken by the Bank. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial trade date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets carried at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the statement of income; gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

Financial Assets at Fair Value Through Profit and Loss

These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale and buying back in a near future. (ii) The financial assets which are classified as financial assets at fair value through profit or loss by the Bank at inception. The Bank use such classification above when permitted or for the purposes of providing a more proper disclosure.

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of debt securities that are traded in an active market are determined based on quoted prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to interest income or diminution in value of marketable securities accounts. As explained in detail in Section VI: "Other Explanations and Notes", the realized gains and losses and related interest income/expense accruals of these securities are recorded in related income statement accounts, unless the securities belong to Problematic securities intermediary members.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Held to Maturity Investments

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income gained from held to maturity investments are accounted for as interest income in income statement.

Available for Sale Financial Assets

Available for sale financial assets comprise from all of the securities except originated loans and receivables, held to maturity investments and trading assets. These assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. At the disposal of available for sale financial assets, value increase/decrease that are recorded in the securities value increase fund under equity are transferred to income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Loans and Specific Provisions

Loans are financial assets which have fixed payment terms and are not traded in an active market.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

In case of the evidences regarding the uncollectibility of the loans given, the Bank classifies these and allocates provision in accordance with the regulations and accounts them in the related period's profit/loss accounts. The collections made related to loans for which provision is made in the current period are offset in "Provision for Loans and Other Receivables" and "Interest Received from Non-performing Loans" account. As per the Bank management's evaluation of the loan book, there is a provision set for the loans and other receivables that may be doubtful or uncollectible in accordance with the related regulations.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the initial recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized. The explanations on impairment of loans and receivables have been disclosed in Section three, VII.

IX. Explanations on offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under "Receivables from Reverse Repurchase Agreements" account in the balance sheet. The difference between purchase and Sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method. The interest income accrual calculated is disclosed under other liabilities as a liability when reverse repurchase agreements are related to problematic securities intermediary members, as described in detail in Section Six: "Other Explanations and Notes". The Bank does not have any marketable securities lending transaction.

XI. Explanations on Assets Held for Sale and Discontinued Operations

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

The Bank has no discontinued operations during the period.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. Explanations on Goodwill and Other Intangible Assets

As of the balance sheet date, there is no goodwill in the accompanying non-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. There is no criteria applied for determination of amortization period of those assets, but Turkish Tax Legislations have been taken into consideration. Economic useful life of assets acquired before 2004 is determined as 5 years, and the assets acquired in 2004 and in the following periods is determined as 3 years. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards- that is TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank, and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

XIII. Explanations on Tangible Fixed Assets

Tangible fixed assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible fixed assets are depreciated with straight-line method. Tangible fixed assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16-Tangible Assets" released by Turkish Accounting Standards Board. Depreciation Rates for Tangible Fixed Assets are as following:

	Useful Life (Year)	Depreciation Rate
Buildings	50	%2
Furniture, Fixture and Office Equipment	4-15	%6.67 - 25
Other Tangible Fixed Assets	2-16	%6.67 - 50

Tangible fixed assets are accounted for at cost less accumulated depreciation and impairment, if any. Along with the statement of the property and equipment, the effects of any revaluation according to related regulations are eliminated.

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. Explanations on Leasing Transactions

The Bank as Lessor:

The Bank does not have any leasing transactions as lessor.

The Bank as Lessee:

The Bank does not have any assets which are acquired by financial leasing as of the balance sheet date.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 December 2014 is TL7,185 (31 December 2013: TL4,416).

Communiqué on "Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2014, actuarial loss after deferred tax effect amounting to TL1,451 (31 December 2013: TL 42) was classified as "Other Capital Reserves".

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Explanations on Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted of.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298.

Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

XVIII. Additional Explanations on Funds borrowed

The Bank has not issued any convertible bonds.

The Bank has not also issued any borrowing instruments.

Cash Warrants Received:

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Warrant Deputy (OPIC) cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIX. Turkish Derivative Exchange Cash Guarantees

The Bank does not have any shares issued in the current period.

XX. Explanations on Acceptances

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Bank as of the balance sheet date.

XXII. Explanations on Segment Reporting

Operational field is distinguishable section of the Bank that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note XI in Section Four. The Bank operates mainly in clearing-operation, custody, loans and treasury.

XXIII. Explanations on Related Parties

For the purpose of these financial statements, key management personnel and board members are referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" in the Article 49 of the Banking Act No: 5411. The transactions with related parties are disclosed in detail in Note V of Section Five.

XXIV. Explanations on Cash and Cash Equivalents

For the purposes of the preparation of statement of cash flows, "Cash" includes cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXV. Reclassifications

None.

XXVI. Explanations on Other Matters

None.

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to the Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on 6 September 2014 in the Official Gazette numbered 29111. The Bank's unconsolidated capital adequacy ratio in accordance with the related communiqué is 30.20% (31 December 2013:25.79%).

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Trading Accounts and the values deducted from the capital base in the shareholders' equity computation are excluded in calculation of risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

Trading Accounts Counterparty receivables related to non-cash loans is multiplied with the loan conversion rates presented in article 5 of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and risk mitigation is applied in accordance with "Communiqué on Credit Risk Mitigation Techniques", calculated by applying the risk weights presented in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In calculation of the basis of the value at credit risk for the derivative financial instruments and the receivables from counterparties indicated on the bank accounting are multiplied by the rates presented in the Appendix-2 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", is subjected to risk reduction presented in "Communiqué on Credit Risk Mitigation Techniques" and then included in the relevant exposure category presented in the article 6 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and weighted to risk weight classification indicated as per Appendix-1 of the Regulation

According to the Clause 7 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" presented in the article 5 of the regulation, "counterparty credit risk" is calculated for repurchase transactions, marketable securities and commodity market transactions.

Information related to the capital adequacy ratio: (TL, %)

Current Period Amount subject to credit risk	Risk Weights Bank						
	0%	10%	20%	50%	100%	150%	200%
Risk Categories:							
Conditional and unconditional receivables from Central Governments or Central Banks	182,071	-	-	-	-	-	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	492,427	-	6,368,895	1,842,135	1	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-
Other receivables	15	-	-	-	292,453	-	-
Total Value at Risk	674,513	-	6,368,895	1,842,134	292,454	-	-
Total Value at Weighted Risk	-	-	1,273,779	921,068	292,454	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Prior Period	Risk Weights						
	Bank						
Amount subject to credit risk	0%	10%	20%	50%	100%	150%	200%
Risk Categories:							
Conditional and unconditional receivables from Central Governments or Central Banks	597,479	-	20,664	-	-	-	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	13,077	-	5,600,482	1,998,205	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-
Other receivables	13,091	-	262,715	-	17,528	-	-
Total Value at Risk	623,647	-	5,883,861	1,998,205	17,528	-	-
Total Value at Weighted Risk	-	-	1,176,772	999,103	17,528	-	-

Explanations related to the capital adequacy standard ratio:

	Current Period	Prior Period
Required Capital for Credit Risk (Amount Based to Credit Risk*0,08) (RCFCR)	198,984	175,472
Required Capital for Market Risk (RCFMR)	304	119
Required Capital for Operational Risk (RCFOR)	17,339	12,893
Shareholders' Equity	817,689	607,667
Shareholders' Equity/((RCFCR+RCFMR+RCFOR) *12,5*100)	30.20	25.79
Tier 1 Capital/((RCFCR+RCFMR+RCFOR) *12,5*100)	29.31	-
Common Equity Tier 1 Capital/((RCFCR+RCFMR+RCFOR) *12,5*100)	29.48	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Summary information related to the capital adequacy ratio:

It is served with respect to the alteration published in the Official Gazette no. 28983 dated 26 April 2014.

	Current Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in capital	600,000
Share premium	33,019
Share cancellation profit	-
Legal reserves	44,745
Income passed on to shareholders' equity in accordance with Turkey Accounting Standards (TAS)	-
Profit	123,931
Net Income for current period	121,492
Prior period profit	2,439
Provisions for possible risks	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-
Common Equity Tier 1 Capital Before Deductions	801,695
Deductions From Common Equity Tier 1 Capital	
Loss excess of reserves and loss passed on to shareholders' equity in accordance with Turkey Accounting Standards (TAS) (-)	1,451
Leasehold Improvements (-)	-
Goodwill and other intangible assets and related deferred tax liabilities (-)	302
Net deferred tax income/expense (-)	785
Shares noncompliant with article 56/4 of the Law (-)	-
Direct or indirect investments on Bank's own Common Tier 1 Capital (-)	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and below	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and above	-
Rights of providing mortgage service exceeding 10% of Common Tier 1 capital (-)	-
Deferred tax assets based on temporary differences exceeding 10% of Common Tier 1 capital (-)	-
Balances in accordance with the temporary article 2/2 of Regulation on Shareholders' Equity of Banks exceeding 15% of Common Tier 1 capital (-)	-
Excess amount arising from total net long position belonging to investments on Common Tier 1 Capital of banks and financial institutions that are not consolidated, with a shareholding above 10%	-
Excess amount arising from rights of providing mortgage service (-)	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-
Other items determined by board (-)	965
Deduction amount from Common Tier 1 Capital in case of shortage of additional Tier 1 capital or supplementary capital (-)	-
Total Deductions From Common Equity Tier 1 Capital	3,503
Total Common Equity Tier 1 Capital	798,192
ADDITIONAL TIER 1 CAPITAL	
Premiums of privilege share capital not included in Common Equity Tier 1 capital	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued before 1.1.2014)	-
Additional Tier 1 Capital Before Deductions	-
Deductions From Additional Tier 1 Capital	
Direct or indirect investments which bank provides for its' own additional Tier 1 capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
Deduction amount of additional core capital in case of there is not enough additional core capital or supplementary capital (-)	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

	Cari Dönem
Total Deductions From Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Deductions From Tier 1 Capital	-
Non deducted Common Tier 1 capital part in accordance with deferred tax expense and goodwill impairment and other intangible fixed assets which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	1,208
Non deducted Common Tier 1 capital part in accordance with net deferred tax income/expense which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	3,280
Total Tier 1 Capital	793,704
SUPPLEMENTARY CAPITAL	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-
Pledged sources to bank from shareholders which is used for share capital increasing of bank	-
General Provisions	23,985
Supplementary Capital Before Deductions	23,985
Deductions From Supplementary Capital	-
Direct or indirect investments which bank provides for its' own supplementary capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
Total Deductions From Supplementary Capital	-
Total Supplementary Capital	23,985
CAPITAL	817,689
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
Investments to loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Deduction from equity in accordance with 2nd article of 20th item in Regularity of Measurement and Valuation of Capital Adequacy of Banks (-)	-
Other accounts determined by board (-)	-
Non deducted part of common equity tier1, additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
Non deducted part of common equity tier1, additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above (-)	-
Non deducted part of common equity tier1 generating from exceed amount generating from investments to Common Tier 1 capitals of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above, temporary differences of deferred tax income and the right of offering mortgage services explained in the 1st and 2nd paragraphs of temporary article 2 of Regulation of Shareholders' Equity of Banks. (-)	-
SHAREHOLDERS' EQUITY	817,689
Amounts Below Overrun Amounts In Applied Reducing Procedures	-
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10%	-
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above.	-
Amount generating from right of offering mortgage service	-
Amount generating from temporary differences of deferred income tax income	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

The financial table has been taken from 31 December 2013.

	Prior Period
CORE CAPITAL	-
Paid-in capital	420,000
Nominal capital	-
Capital commitments (-)	-
Inflation adjustment to share capital	4,088
Share premium	19
Share cancellation profits	-
Legal reserves	82,679
Inflation adjustment of legal reserves	-
Profit	83,610
Current period profit	81,809
Prior period profit	1,801
Provisions for possible risks (up to 25% of core capital)	-
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	-
Primary subordinated loans	-
Uncovered portion of loss with reserves (-)	-
Current period loss (net)	-
Prior period loss	-
Cost of Leasehold Improvements (-)	-
Intangible assets (-)	884
Deferred tax asset amount exceeding 10% of core capital (-)	-
Limit exceeding amount regarding the third clause of article 56 of the Law (-)	-
Total Core Capital	589,512
SUPPLEMENTARY CAPITAL	-
General provisions	22,980
45% of the movables revaluation fund	-
45% of the immovables revaluation fund	-
Bonus shares of investment in associates, subsidiaries and joint ventures acquired as a free and unrecognised In profit	-
Primary subordinated loans that are not considered in the calculation of core capital	-
Secondary subordinated loans	-
45% of from available-for-sale financial assets and investments in associates and subsidiaries valuation reserve	-
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (Except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	-
Total Supplementary Capital	22,980
CAPITAL	612,492
DEDUCTIONS FROM THE CAPITAL	4,825
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	4,825
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
The net book value of bank's immovables that are over 50% of shareholders' equity and immovables or commodities that are received on behalf of the receivables from customers and are to be disposed of according to banking law article 57 as they have been held for more than five years from the acquisition date	-
Securitisation positions deducted from equity preferred	-
Other Deduction Items	-
TOTAL SHAREHOLDERS' EQUITY	607,667

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

	Bank	
	Considered Amount of Current Period Shareholders' Equity Calculation	Total Amount
Comon equity tier1 capital share amount of minority shareholders	-	-
Additional core capital share amount of third parties	-	-
Supplementaru capital share amount of third parties	-	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-	-
Informations on addition debt instruments to shareholders' equity calculating:		
Exporter	-	-
Code of debt instrument (CUSIP, ISIN vb.)	-	-
Legistation of debt instrument	-	-
Attention Situation of Shareholders' Equity		
Situation of subjection to practice of being taken into consideration with 10% deduction (after 1.1.2015)	-	-
Validity situation of consolidated or unconsolidated based or consolidated and unconsolidated based.	-	-
Type of debt instrument	-	-
Considered amount of shareholders' equity calculation. (By last report date of – Million TL)	-	-
Nominal value of debt instrument (Million TL)	-	-
Related account of debt instrument	-	-
Export date of debt instrument	-	-
Maturity structure of debt instrument (demand/term)	-	-
Beginning term of debt instrument	-	-
Whether there is right of reimbursement of exporter or not according to Banking Regulation and Supervision Agency (BRSA) rules.	-	-
Optional reimbursement date, options of conditional reimbursement and reimbursement amount.	-	-
Following reimbursement option dates	-	-
Interest/Dividend Payments		
Fixed or floating interest/dividend payments	-	-
Interest rate and index value of interest rate	-	-
Whether there is any restriction to stop payment of capital bonus or not	-	-
Feature of being full optional, partially optional or obligatory	-	-
Whether there is any stimulant to repayment like interest rate hike or not	-	-
Feature of being cumulative or noncumulative	-	-
Feature of being convertible bonds		
If there's convertible bonds, trigger incidents cause this conversion	-	-
If there's convertible bonds, feature of full or partially conversion	-	-
If there's convertible bonds, rate of conversion	-	-
If there's convertible bonds, feature of conversion -obligatory or optional-	-	-
If there's convertible bonds, types of convertible instruments	-	-
If there's convertible bonds, exporter of convertible debt instruments	-	-
Feature of value reduecment		
If there is feature of value reduecment, trigger incidents cause this value reduecment	-	-
If there is feature of value reduecment, feature of full or partially reduecment of value	-	-
If there is feature of value reduecment, feature of being constant or temporary	-	-
If the value can be reduced temporarily, mechanism of value incrementation	-	-
Claiming rank in case of winding up (Instrument that is just above debt instrument)	-	-
Whether being provided with conditions of the 7th and 8th articles of Shareholders' Equity of Banks Regulation	-	-
Has or has not been provided with which conditions of the 7th and 8th articles of Shareholders' Equity of Banks Regulation	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

The evaluation period for internal capital adequacy in our Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014. Our Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements

In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to, ISEDES, and stress test reports. Within this scope, activities performed and services provided by the Bank are considered.

The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations. Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

Our Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. Whether the current capital adequacy rates of the Bank are above the internal capital adequacy rate calculated in the scope of the stress test and described as the target ratio is evaluated and the internal capital buffer is calculated.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Team. These reports are approved by the Board of Management or our Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Team, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Team.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations Related to Credit Risk

The Board of Management is responsible for Bank operations performed within the scope of credit risk management and these operations are performed in compliance with the "Regulation on the Internal Systems of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks". When calculating capital adequacy rates, the amount which is taken as a basis for credit risk and which is calculated via a standard method is considered.

The Bank also calculates counterparty credit risk for banking accounts due to reverse-repo transactions, and these amounts are taken into consideration in the amount used as a basis for credit risk.

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

Credit limits are categorised according to the Bank's credit types. The assigned credit limits are determined for cash and non-cash by taking the credit types into consideration. Loans provided are further classified as having

(1-12) month, (12-24) month, or (24+) month maturity. In addition, the maturity of the cash loans provided are maximum six months and there are frequent financial futures between 30-40 days. Loans provided by the Bank provides efficiency and convenience in capital market transactions, helps intermediary institutions benefit from barter debts through timely/early clearing of debts, and helps markets gains more depth. Since payments and collections are secured by the Bank in the Takasbank money market, which is similar to an interbank money market, these transactions are followed under non-cash loan items.

The Bank acts as the central counterparty in the Securities Lending Market and in the Financial Futures and Options Market, and liabilities in these markets are considered by our Bank to be non-cash credits.

Our credit transactions assume credit risk. This risk can be defined as the possibility that the members and guarantors who use the credit do not fulfil the liabilities defined in agreements and that they have undertaken beforehand in written form.

Limitations, risks, warrant situations, and concentrations risks for off-balance sheet risks of members who use credits are tracked on a daily basis.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements of the borrowers prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has no forward and option contracts or any other similar agreements.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no liquidated non-cash loans, restructured loans or long-term commitments.

The Bank has no lending and banking transactions in foreign countries.

The Bank calculates general provisions for credit risk and receives cash and/or cash equivalent collaterals.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

As of the balance sheet date;

Number of Customers - Cash Loan	9
Number of Customers - Non-Cash Loan	81
General Loan Loss Reserves (TL)	23,985
Specific Provision for Non Performing Loans (TL)	1,637

Credits, collection of principal or interest payments which are deferred for more than thirty days after their maturity date or payment date for various reasons, but which do not fulfil the delay time condition necessary for classification as "Third Class" as specified in "Regulation on Principles and Procedures in Respect of Qualifying Loans and Other Receivables by Banks and Equivalents to Be Allocated for the Same" are qualified as "non-performing loans" in the accounting application, and all receivables under third, fourth and fifth groups in the same Regulation are accepted as "depreciated loans" in the application of this Regulation. They are accepted as such regardless of whether accrued interests and quasi-profit liabilities of the borrower are added to the capital or refinanced.

The Bank allocates equivalents for III, IV. and V. group credits pursuant to "Regulation on Principles and Procedures in Respect of Qualifying Loans and Other Receivables by Banks and Equivalents to Be Allocated for the Same."

Total amount of incurred risks after offsetting transactions (before credit risk reduction), regardless of the credit risk reduction, and average amount of risks separated according to different risk classes and types for the related period:

Exposure classifications	Current Period Risk Amount	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	172,552	263,753
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	11,689,959	11,042,456
Conditional and unconditional receivables from banks and brokerage houses	-	-
Conditional and unconditional corporate receivables	-	-
Conditional and unconditional retail receivables	-	-
Conditional and unconditional secured mortgage receivables	-	-
Past due receivables	-	-
Receivables defined in high risk category by BRSA	-	-
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	330,639	232,376

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Profile of significant exposures in major regions:

Current Period	Condi-tional and unconditional exposures to central governments or central banks	Condi-tional and unconditional exposures to regional governments or local authorities	Condi-tional and unconditional receiv-ables from administra-tive units and non-commercial enterprises	Condi-tional and unconditional exposures to multilateral development banks	Condi-tional and unconditional exposures to international organisations	Condi-tional and unconditional exposures to banks and brokerage houses	Condi-tional and unconditional exposures to corporates	Condi-tional and unconditional retail exposures	Condi-tional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables	
Domestic	182,071	-	-	-	-	8,683,452	-	-	-	-	-	-	-	-	-	292,467	9,157,990
European Union (EU) Countries	-	-	-	-	-	20,006	-	-	-	-	-	-	-	-	-	-	20,006
OECD Countries*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiar-ies and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	182,071	-	-	-	-	8,703,458	-	-	-	-	-	-	-	-	-	292,467	9,177,996

(*) Includes OECD countries other than EU countries, USA and Canada.

(**) Includes assets and liability items that can not be allocated on a consistent basis.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Risk profile by Sectors or Counterparties:

Sektörler/ Karşı Taraflar	Conditional and uncondi- tional exposures to central go- vernments or central banks	Conditional and uncondi- tional exposures to regional governments or local authorities	Conditional and uncondi- tional receiv- ables from administrative units and non- commercial enterprises	Conditional and uncondi- tional exposures to multilateral development banks	Conditional and uncondi- tional exposures to international organisations	Conditional and uncondi- tional exposures to banks and brokerage houses	Conditional and uncondi- tional exposures to corporates	Condi- tional and uncondi- tional retail exposures	Conditional and un- conditional exposures secured by real estate property	Past due receiv- ables	Receiv- ables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securiti- zation Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertak- ings	Other receiv- ables	TL	FC	Total
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stock- breeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minning and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	8,703,458	-	-	-	-	-	-	-	-	-	-	6,860,977	1,842,481	8,703,458
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	8,703,458	-	-	-	-	-	-	-	-	-	-	6,860,977	1,842,481	8,703,458
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	182,071	-	-	-	-	-	-	-	-	-	-	-	-	-	-	292,467	474,538	-	474,538
Total	182,071	-	-	-	-	8,703,458	-	-	-	-	-	-	-	-	-	292,467	7,335,515	1,842,481	9,177,996

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	182,071	-	-	-	-
2 Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
4 Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5 Conditional and unconditional exposures to international organisations	-	-	-	-	-
6 Conditional and unconditional exposures to banks and brokerage houses	7,860,278	823,180	20,000	-	-
7 Conditional and unconditional exposures to corporates	-	-	-	-	-
8 Conditional and unconditional retail exposures	-	-	-	-	-
9 Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	-	-	-	-	-
16 Other receivables	292,467	-	-	-	-
Total	8,334,816	823,180	20,000	-	-

Information about the risk exposure categories:

The credit rating of banks and intermediary institutions are inspected via the Takasbank Internal Credit Evaluation System and credit or position limits based on the maximum nominal limits or value at risk limits, which can be assigned within the scope of banking or central counterparty actions are determined. The membership types of banks and intermediary institutions which will perform the transaction in the market, or the capital market instruments that are provided by the central counterparty service, are also determined by this system.

There are no financial assets, the maturity or contract conditions of which are revised again (31 December 2013: None).

Details on the Bank's overdue depreciated financial assets are provided in the fifth chapter, first part, footnote No. 5 of the report.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Exposures by risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Deductions from Equity
Exposures before Credit Risk Mitigation	172,567	-	6,865,808	1,847,168	-	292,453	-	-
Exposures after Credit Risk Mitigation	674,513	-	6,368,895	1,842,135	-	292,453	-	-

Informations in terms of major sectors and type of counterparties:

None.

Information about Value Adjustment and Change in Provisions

Risk Ağırlığı	31.12.2013 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments	31.12.2014 Balance
Specific Provisions	1,637	-	-	-	-	1,637
General Provisions	22,980	1,005	-	-	-	23,985

III. Explanations Related to Market Risk

The Bank's market risk management operations are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors.

In the in-balance sheet and off-balance sheet accounts, specific risk and interest currency risks that arise from the fluctuations of the positions held by the Bank in financial markets are measured. When calculating capital adequacy rates, the amount which is taken as a basis for market risk, which is calculated using the standard method shown in the table below, is taken into consideration.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Information Related to Market Risk:

	Current Period	Prior Period
(I) Capital Requirement against General Market Risk - Standard Method	9	6
(II) Capital Requirement against Specific Risks - Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions- Standard Method	-	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	295	113
(IV) Capital Requirement against Commodity Risks - Standard Method	-	-
(V) Capital Requirement against Exchange Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	-	-
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	304	119
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	3,800	1,488

Average market risk table calculated at month ends during the period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Specific Risk	36	378	-	110	238	50
Common Stock Risk	-	-	-	-	-	-
Currency Risk	273	525	127	953	1,625	300
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value Subject to Risk	309	903	127	1,063	1,863	350

Information on Counterparty Credit Risk

Bank has no counterparty credit risk for purchase and sell accounts as of 31 December 2014 (31 December 2013:None).

IV. Explanations Related to Operational Risk

The Bank's market operational risk management activities are conducted in compliance with the "Regulation on Internal Systems of Banks" and the "Regulation on Measuring and Reviewing the Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors. When calculating the capital adequacy rates, the amount which is taken as a basis for operational risk is calculated using the basic indicator approach method. Balance subject to operational risk is calculated by considering gross income of prior three fiscal years 2013, 2012 and 2011. The amount subject to Operational Risk for the current period is TL 216,733 (31 December 2012: TL161,158).

	2 Prior Period Amount	1 Prior Period Amount	31.12.2013	Total/Positive Year	Rate (%)	Total
GROSS Income	76,916	119,465	150,392	115,591	15	17,339
Amount subject to Operational Risk (Total*12,5)						216,733

	2 Prior Period Amount	1 Prior Period Amount	31.12.2012	Total/Positive Year	Rate (%)	Total
GROSS Income	61,472	76,916	119,465	85,951	15	12,893
Amount subject to Operational Risk (Total*12,5)						161,158

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. Explanations Related to Currency Risk

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

The Bank calculated foreign exchange capital liability of TL3,687 (31 December 2013:TL1,412) for the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

In the FX transactions of the Bank, the risk management policy that is also regarded in TRY transactions is used, and asset-liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank's foreign exchange bid rates as of the date of the financial statements and five working days prior to that date:

Current Period	1 USD	1 EUR	1 GBP	100 JPY
Foreign Currency Rate Considered by the Bank	2.3189	2.8207	3.5961	1.9347
Prior;				
30.12.2014	2.3235	2.8339	3.609	1.9249
29.12.2014	2.3182	2.8255	3.5997	1.922
26.12.2014	2.3177	2.8368	3.5933	1.9246
25.12.2014	2.3209	2.8312	3.6005	1.9224
24.12.2014	2.3165	2.8317	3.5972	1.9234
Simple arithmetic averages for last 31 days	2.28767	2.82170	3.57137	1.91372

Foreign currency sensitivity:

According to TFRS7, sensitivity of foreign currency assets and liabilities of the Bank to a probable change in exchange rates that might have a substantial effect is analyzed. In the analysis presented below, a 10% change in USD and Euro currencies are anticipated.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD	10% increase	210	57	210	57
	10% decrease	(210)	(57)	(210)	(57)
EURO	10% increase	150	84	150	84
	10% decrease	(150)	(84)	(150)	(84)

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks	428,338	1,412,643	1,154	1,842,135
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	326	-	-	326
Loans	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	10	10	-	20
Total Assets	428,674	1,412,653	1,154	1,842,481
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	411,557	882,363	-	1,293,920
Securities Issued	-	-	-	-
Sundry Creditors	15,604	528,200	1,069	544,873
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	-	1	-	1
Total Liabilities	427,161	1,410,564	1,069	1,838,794
Net Balance Sheet Position	1,513	2,089	85	3,687
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	812,647	1,186,273	30	1,998,950
Total Liabilities	811,809	1,185,701	28	1,997,538
Net Balance Sheet Position	838	572	2	1,412
Net Off-Balance Sheet Position	-	-	-	-
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations Related to Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in "Treasury Transaction Limits".

Other than securities guaranteed or issued by the Turkish Treasury, the Bank does not include any debt instruments in its portfolio during the year 2014. The Bank does not undertake any liability due to using derivative financial instruments attributable to its transactions in evaluating its funding resources.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

Closing Balances of Current Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	54	54
Due From Other Banks	4,169,753	879,992	-	-	-	21,033	5,070,778
Financial Assets at Fair Value Through Profit and Loss	-	-	1,256	-	-	-	1,256
Money Market Placements	24,786	-	-	-	-	-	24,786
Financial Assets Available-For-Sale	-	-	-	-	-	1,497	1,497
Loans	169,177	-	-	-	-	-	169,177
Held-To-Maturity Investments	-	92,788	75,679	-	-	-	168,467
Other Assets (*)	1	-	-	-	-	59,607	59,608
Total Assets	4,363,717	972,780	76,935	-	-	82,191	5,495,623
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	1,697,605	-	-	-	-	1,090,904	2,788,509
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	1,761,583	56,415	-	-	-	33,517	1,851,515
Other Liabilities (*)	-	-	-	-	-	855,599	855,599
Total Liabilities	3,459,188	56,415	-	-	-	1,980,020	5,495,623
Balance Sheet Long Position	904,529	916,365	76,935	-	-	-	1,897,829
Balance Sheet Short Position	-	-	-	-	-	(1,897,829)	(1,897,829)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	904,529	916,365	76,935	-	-	(1,897,829)	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

(*) Other assets and liabilities in non-interest bearing column are presented below.

Other Assets	Current Year
-Temporary accounts	26,551
-Tangible assets	17,115
-Sundry debtors	5,645
-Subsidiaries	4,825
-Deferred tax assets	4,013
-Intangible assets	1,423
-Stationary supplies	35
-Custody Services comission rediscount	1
Total	59,608

Other Liabilities	Cari Dönem Bakiyesi
-Shareholder's equity	800,244
-Provisions	43,971
-Current tax liability	11,384
Total	855,599

Average interest rates applied to monetary financial instruments (%):

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks	1.92	2.13	-	8.77
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8.05
Money Market Placements	-	-	-	-
Financial Assets Available-For-Sale	-	-	-	-
Loans	-	-	-	10.73
Investments held to maturity	-	-	-	-
Liabilities				
Bank Deposits	0.25	0.45	-	8.39
Other Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Other creditors	-	-	-	8.25
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

Closing Balances of Prior Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	62,255	-	-	-	-	279,741	341,996
Due From Other Banks	4,247,961	423,178	-	-	-	12,271	4,683,410
Financial Assets at Fair Value Through Profit and Loss	-	-	1,609	-	-	-	1,609
Money Market Placements	16,034	-	-	-	-	-	16,034
Financial Assets Available-For-Sale	-	-	-	-	-	1,418	1,418
Loans	282,291	-	-	-	-	-	282,291
Held-To-Maturity Investments	-	61,914	177,912	-	-	-	239,826
Other Assets (*)	2	-	-	-	-	29,440	29,442
Total Assets	4,608,543	485,092	179,521	-	-	322,870	5,596,026
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	209,469	-	-	-	-	-	209,469
Sundry Creditors	1,703,935	-	-	-	-	887,292	2,591,227
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	2,129,480	-	-	-	-	28,557	2,158,037
Other Liabilities (*)	-	-	-	-	-	637,293	637,293
Total Liabilities	4,042,884	-	-	-	-	1,553,142	5,596,026
Balance Sheet Long Position	565,659	485,092	179,521	-	-	-	1,230,272
Balance Sheet Short Position	-	-	-	-	-	(1,230,272)	(1,230,272)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Net Position	565,659	485,092	179,521	-	-	(1,230,272)	-

(*) Other assets and liabilities in non-interest bearing column are presented below.

Other Assets	Prior Year
-Tangible assets	14,413
-Sundry debtors	4,964
-Subsidiaries	4,825
-Deferred tax assets	2,679
-Temporary accounts	1,638
-Intangible assets	884
-Stationary supplies	37
-Custodian service commission accruals	2
Total	29,442
Other Liabilities	
-Shareholder's equity	590,396
-Provisions	37,473
-Current tax liability	9,424
Total	637,293

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Average interest rates applied to monetary financial instruments:

Prior Period	EUR	USD	JPY	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks And Financial Institutions	3.10	2.68	-	7.41
Financial Assets At Fair Value Through Profit And Loss	-	-	-	6.97
Money Market Placements	-	-	-	-
Financial Assets Available-For-Sale	-	-	-	-
Loans	-	-	-	8.29
Held-To-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	1.02	0.72	-	6.70
Other Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Other Creditors	-	-	-	7.63
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-

According to TFRS 7 sensitivity of assets and liabilities of the Bank to a probable change in interest rates that might have a substantial effect is not important as Bank's financial instruments are short term and have fixed interest rate. Thus, presentation of financial information related with interest rate sensitivity is not required.

Interest rate risk on banking accounts:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity-(Losses)/Equity
TRY	(+) 500 bp	5,518	0.69
TRY	(-) 400 bp	(4,432)	(0.55)
EURO	(+) 200 bp	2	0.00
EURO	(-) 200 bp	(2)	(0.00)
USD	(+) 200 bp	1,212	0.15
USD	(-) 200 bp	(1,212)	(0.15)
Total (of negative shocks)		(5,646)	(0.71)
Total (of positive shocks)		6,732	0.84

Equity share position risk in banking accounts

As of balance sheet date, bank has no equity share position risk.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. Explanations Related to Liquidity Risk

The Bank management takes guarantees for Stock Exchange Money Market and settlement transactions and places TL funds in short-term in order to remain liquid.

The effective management of the risks arising from money market instruments is the fundamental strategy of the management. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and monitored by the internal system units.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by its own resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its Equities and members' free accounts, BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions, Warrant Deputy (OPIC) are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

Ratios throughout the period are as below:

	Current Period (%)	Prior Period (%)
Period average	166	158
Highest	197	180
Lowest	125	131

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistributed	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	54	-	-	-	-	-	-	54
Banks	21,033	4,169,753	879,992	-	-	-	-	5,070,778
Financial Assets at Fair Value Through Profit and Loss	-	-	-	1,256	-	-	-	1,256
Money Market Placements	-	24,786	-	-	-	-	-	24,786
Financial Assets Available-For-Sale	1,497	-	-	-	-	-	-	1,497
Loans	-	169,177	-	-	-	-	-	169,177
Held-To-Maturity	-	-	92,788	75,679	-	-	-	168,467
Investments	-	1	-	-	-	-	59,607	59,608
Total Assets	22,584	4,363,717	972,780	76,935	-	-	59,607	5,495,623
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	1,761,583	56,415	-	-	-	33,517	1,851,515
Money Market Borrowings	-	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	1,090,904	1,697,605	-	-	-	-	-	2,788,509
Other Liabilities	-	3,424	-	20,164	-	-	832,011	855,599
Total Liabilities	1,090,904	3,462,612	56,415	20,164	-	-	865,528	5,495,623
Current Period Liquidity Gap	(1,068,320)	901,105	916,365	56,771	-	-	(805,921)	-
Prior Period								
Total Assets	355,685	4,546,288	485,092	179,521	-	-	29,440	5,596,026
Total Liabilities	887,292	4,046,002	-	18,049	-	-	644,683	5,596,026
Prior Period Liquidity Gap	(531,607)	500,286	485,092	161,472	-	-	(615,243)	-

(*) Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities:

	Demand	Up to one month	1-3 Months	3-12 Months	1-5 Years	Total	Adjustments	Total
31 December 2014,								
Placements	-	-	-	-	-	-	-	-
Repo	-	-	-	-	-	-	-	-
Funds borrowed	-	1,715,218	56,415	-	-	1,771,633	643	1,772,276
Other	-	79,239	-	-	-	79,239	-	79,239
Total	-	1,794,457	56,415	-	-	1,850,872	643	1,851,515
31 December 2013,								
Placements	-	-	-	-	-	-	-	-
Repo	-	-	-	-	-	-	-	-
Funds Borrowed	-	2,032,726	-	-	-	2,032,726	524	2,033,250
Other	-	124,787	-	-	-	124,787	-	124,787
Total	-	2,157,513	-	-	-	2,157,513	524	2,158,037

Securitisation positions:

The Bank does not apply securitisation as of 31 December 2014.

Credit Risk Mitigation Techniques:

The Bank does not perform in-and off-balance sheet netting. The Bank's cash credit transactions consist of loans extended to intermediary firms. Equity securities, treasury bills, government bonds, a letter of guarantee, investment fund participation certificates and cash blockage collateral may be obtained for extended cash credits. Takasbank Money Market (TMM) transactions are regarded as non-cash credits because of our guarantorship in TPP. Cash, a letter of guarantee, treasury bills, government bonds, investment fund participation certificates, equity securities and Euro bonds are accepted as guarantee in TMM.

Regarding guarantees taken for TMM and cash credit transactions, equity securities are valued according to their weighted average price in the last session on the day of valuation, or, if the transaction is not realised, according to the arithmetic average of best purchase and best sales orders in the last session; Government Bonds and Treasury Bills are valued according to "Current Bond Rates" determined at İMKB (Debt Instruments Market) on the day of valuation; FC cash amounts and FC letters of guarantee are valued according to the currency buying rate announced by Central Bank of the Republic of Turkey for the day following the day of valuation; Investment Fund Participation Certificates are valued according to the prices announced on the day of valuation; and Euro Bonds are valued according to Bloomberg Generic Price (BGN) published at 17:00. In consequence of guarantee valuation carried out every day, in the event that the depreciation of the guarantees exceeds the limits determined by the Bank, a margin call is made to ensure that the guarantees are brought to the level of the initial guarantee.

The Bank performs valuation of collateral and risk at the end of each day. On the other hand, shares and exchange traded funds are also subject to valuation during the day. The method used for day-end and intra-day collateral valuation is as follows:

- Shares and exchange traded funds are valued by taking into account the weighted average price emerging in the last session of the BİAŞ share market on the day of the valuation for day-end valuations, while the weighted average prices of the first session are taken into account for intra-day valuation. If no transaction has been performed in the stock exchange, the arithmetic average of the best purchase and sale orders in the last session is used. If no best purchase or best sale order exists, then the weighted average price of the last session in which a transaction was performed is used.
- Government bonds and treasury bonds are valued based on "current bond rates" defined within the BİAŞ, Debt Instruments Market on the day of valuation. If these prices cannot be obtained, then the daily values of government debt securities determined by the Turkish Central Bank are used as indicators.
- Cash amounts in foreign currency are valued based on the foreign exchange buying rate determined by the Turkish Central Bank for the day after the valuation.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Collaterals in terms of Risk Categories:

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	182,071	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	8,703,458	501,946	-	-
Conditional and unconditional corporate receivables	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	292,467	-	-	-
Total	9,177,996	501,946	-	-

VIII. Risk management objectives and policies

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ISEDES) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to, and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ISEDES, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA, and below the risk appetite confirmed by the Board of Directors.

The risk capacity of the Bank is decided in accordance with its capital adequacy policy. When doing capital and liquidity planning, the current and under-stress liquidity requirements of the Bank, as well as its risk appetite and capacity, are considered together.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

The Risk Management Team carries out its activities under the management of the Board of Directors and by way of the Audit Committee.

Risk management activities consist of measuring, monitoring, and reporting risks, and are performed by the Risk Management Team. Within the scope of the risk management system, a reporting system has been established for the effective analysis and assessment of the risks incurred. Systems that allow extensive reporting regarding credit risks, market risks, operational risks, liquidity risks, and interest rate risk due to banking accounts, which can be used in risk management, determine strategies and decision-making. These reports are regularly submitted to the Board of Directors and senior management, as well as to units responsible for creating and monitoring the risks. The Bank's risks related to new products and services are evaluated within the scope of all exposed risks. Also, primary and secondary structural block risks the Bank is exposed to are considered within the scope of ISEDES and stress tests-scenario analyses are done for these risks in order to calculate capital requirements.

The aim is to maintain the current capital level of the Bank above the internal capital requirement ratio which is also the defined target ratio and is determined within the scope of ISEDES. The purpose of the stress tests is to evaluate the capacity of the Bank to compensate for losses due to various shocks under specific scenarios.

The Bank has specified risk limits and signal values on a general basis and on the basis of risk types in order to control the current risk profile and not go beyond the borders of risk appetites based on risk types and general risk appetite, which are confirmed by Board of Directors of the Bank.

Said risk appetites, risk limits, and signal values are tracked by the Risk Management Team on a regular basis and overflows are transmitted to Senior Management so that the necessary actions can be taken.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

IX. Explanations Related To Presentation of Financial Assets and Liabilities at Fair Value

Current period marketable securities for investment purposes are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The estimated fair value of funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the banks, money market placements, and funds borrowed from other financial institutions and sundry creditors reflect their fair values since they are short-term.

The table below shows the book value and the fair value of the financial assets and liabilities.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	5,435,961	5,224,588	5,436,594	5,225,373
Financial Assets at Fair Value Through profit / (Loss)	1,256	1,609	1,256	1,609
Money Market Placements	24,786	16,034	24,786	16,034
Banks	5,070,778	4,683,410	5,070,778	4,683,410
Available-For-Sale Financial Assets	1,497	1,418	1,497	1,418
Held-To-Maturity Investments	168,467	239,826	169,100	240,611
Loans	169,177	282,291	169,177	282,291
Financial Liabilities	4,640,024	4,958,733	4,640,024	4,958,733
Placements on banks	-	-	-	-
Other placements	-	-	-	-
Payables to Money Market	-	209,469	-	209,469
Funds Borrowed From Other Financial Institutions	1,851,515	2,158,037	1,851,515	2,158,037
Securities Issued	-	-	-	-
Sundry Creditors	2,788,509	2,591,227	2,788,509	2,591,227

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market.

Current Period	Quoted Price	Valuation techniques - where market value is observable	Valuation techniques - where market value is not observable	Fair Value Not Available
Money Market Placements	-	24,786	-	-
Banks	-	5,070,778	-	-
Financial Assets Held for Trading	1,256	-	-	-
Available-For-Sale Financial Assets	-	-	1,497	-
Held-to-Maturity Investments	169,100	-	-	-
Loans	-	169,177	-	-
Financial Liabilities	-	4,640,024	-	-
Funds Borrowed From Other Financial Institutions	-	1,851,515	-	-
Sundry Creditors	-	2,788,509	-	-

Prior Period	Quoted Price	Valuation techniques - where market value is observable	Valuation techniques - where market value is not observable	Fair Value Not Available
Money Market Placements	-	16,034	-	-
Banks	-	4,683,410	-	-
Financial Assets Held for Trading	1,609	-	-	-
Available-For-Sale Financial Assets	-	-	1,418	-
Held-to-Maturity Investments	240,611	-	-	-
Loans	-	282,291	-	-
Financial Liabilities	-	4,749,264	-	-
Funds Borrowed From Other Financial Institutions	-	2,158,037	-	-
Sundry Creditors	-	2,591,227	-	-

X. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions

The Bank carries out trading, custody, management and advisory services on others' behalf and account.

TL 8 (31 December 2013: TL 8), in the off balance sheet contingencies and commitments table, consists of sales and securities which are traded on BİAŞ. Under the fiduciary transactions agreement, there are no transactions carried out with other financial institutions and there are no financial services rendered directly in this context.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank realizes transactions necessary for transfers, settlement, offsetting, and discharge of debts, securities obtained for custody and other marketable securities; obtaining bonus share, use of preemptive rights, collection of interest and principle at maturity, dividends, and exchanges of documents representing the securities and other instruments and similar financial services. Also, the Bank provides the clearing and settlement service of guarantees of derivative transactions on Turkish Derivative Exchange. Related to above mentioned transactions, the total amount of guarantees obtained from Bank's customers comprising treasury bills, government bonds, letter of guarantees and stocks are listed below.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

XI. Explanations on Segment Reporting

The Bank operates mainly in clearing-operation, custody, loans and treasury.

Current Period	Clearing and Operation	Custody	Loans and Money Market	Treasury	Others	Total
Cash and Balances with Central Bank	-	-	-	54	-	54
Financial Assets At Fair Value Through Profit or Loss (Net)	-	-	-	-	1,256	1,256
Banks	-	-	-	5,070,778	-	5,070,778
Money Markets	-	-	-	-	24,786	24,786
Aavailable-For-Sale Financial Assets (Net)	-	-	-	1,497	-	1,497
Loans	-	-	169,177	-	-	169,177
Held-to-Maturity Securities (Net)	-	-	-	168,467	-	168,467
Subsidiaries	-	-	-	-	-	-
Joint Ventures (Net)	-	-	-	4,825	-	4,825
Property and Equipment (Net)	-	-	-	-	17,115	17,115
Intangible Assets (Net)	-	-	-	-	1,423	1,423
Tax Asset	-	-	-	-	4,013	4,013
Other Assets	-	5,394	-	-	26,838	32,232
Total Assets	-	5,394	169,177	5,245,621	75,431	5,495,623
Funds Borrowed	-	-	-	1,772,276	-	1,772,276
Other Miscellaneous Liabilities	-	-	-	-	-	-
Miscellaneous Payables	2,686,534	1,883	77,050	-	23,042	2,788,509
Other Liabilities	79,239	-	-	-	-	79,239
Provisions	-	-	23,985	-	19,986	43,971
Tax Liability	-	-	-	-	11,384	11,384
Shareholder's Equity	-	-	-	-	800,244	800,244
Total Liabilities	2,765,773	1,883	101,035	1,772,276	854,656	5,495,623

Prior Period	Clearing and Operation	Custody	Loans and Money Market	Treasury	Others	Total
Cash and Balances with Central Bank	-	-	-	341,996	-	341,996
Financial Assets At Fair Value Through Profit or Loss (Net)	-	-	-	-	1,609	1,609
Banks	-	-	-	4,683,410	-	4,683,410
Money Markets	-	-	-	-	16,034	16,034
Aavailable-For-Sale Financial Assets (Net)	-	-	-	1,418	-	1,418
Loans	-	-	282,291	-	-	282,291
Held-to-Maturity Securities (Net)	-	-	-	239,826	-	239,826
Subsidiaries	-	-	-	-	-	-
Joint Ventures (Net)	-	-	-	4,825	-	4,825
Property and Equipment (Net)	-	-	-	-	14,413	14,413
Intangible Assets (Net)	-	-	-	-	884	884
Tax Asset	-	-	-	-	2,679	2,679
Other Assets	-	4,945	-	-	1,696	6,641
Total Assets	-	4,945	282,291	5,271,475	37,315	5,596,026
Funds Borrowed	-	-	-	2,033,250	-	2,033,250
Miscellaneous Payables	-	-	-	209,469	-	209,469
Other Liabilities	2,556,415	1,791	18,679	-	14,342	2,591,227
Provisions	124,787	-	-	-	-	124,787
Shareholders' Equity	-	-	-	-	9,424	9,424
Total Liabilities	2,681,202	1,791	41,659	2,242,719	628,655	5,596,026

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

Current Period	Clearing and Operation	Loans and MM	Treasury	Others	Total
Net interest income	49	8,553	130,645	-	139,247
Net fees and commission income and other operating income	56,233	16,932	-	-	73,165
Dividend income	-	-	6,166	-	6,166
Net trading income	-	-	320	-	320
Other operating income	-	-	-	241	241
Provision for loan losses and other receivables	-	1,005	-	-	1,005
Other operating expenses	-	-	-	67,587	67,587
Profit/Loss before tax	56,282	24,480	137,131	(67,346)	150,547
Tax provision	-	-	-	(29,055)	(29,055)
Net Profit/Loss	56,282	24,480	137,131	(96,401)	121,492

Prior Period	Clearing and Operation	Loans and MM	Treasury	Others	Total
Net interest income	50	12,027	78,681	-	90,758
Net fees and commission income and other operating income	43,725	15,405	-	-	59,130
Dividend income	-	-	7,334	-	7,334
Net trading income	-	-	298	-	298
Other operating income	-	-	-	68	68
Provision for loan losses and other receivables	-	3,080	-	-	3,080
Other operating expenses	-	-	-	53,288	53,288
Profit/Loss before tax	43,775	24,352	86,313	(53,220)	101,220
Tax provision	-	-	-	(19,411)	(19,411)
Net Profit/Loss	43,775	24,352	86,313	(72,631)	81,809

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets

1. Information on Cash and Balances with the Central Bank of Turkey:

1.a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	15	-	14	-
Balances with the Central Bank of Turkey	39	-	48,749	293,233
Other	-	-	-	-
Total	54	-	48,763	293,233

1.b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	39	-	48,749	13,506
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	-	-	279,727
Total	39	-	48,749	293,233

(*) Information related to reserve deposits presented under unrestricted demand deposit:

In accordance with the Official Statement about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in Takasbank A.Ş.

2. Information on financial assets at fair value through profit and loss (net):

2.a) i. Information on financial assets at fair value through profit and loss given as collateral or blocked: None. (31 December 2013: None).

2.a) ii. Financial assets at fair value through profit and loss subject to repurchase agreements: None. (31 December 2013: None).

2.b) Positive differences related to derivative financial assets held-for-trading: None. (31 December 2013: None).

3. Information on Banks:

3.a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3,228,643	1,842,135	2,978,032	1,705,378
Domestic	3,228,643	1,822,129	2,978,032	1,693,237
Foreign	-	20,006	-	12,141
Branches and head office abroad	-	-	-	-
Total	3,228,643	1,842,135	2,978,032	1,705,378

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	19,997	11,560	-	-
USA and Canada	9	581	-	-
OECD Countries(*)	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	20,006	12,141	-	-

(*) OECD Countries outside U.S., Canada and European Union Countries

3.c) Information on receivables from money markets

The details about the receivables from Money Markets are as below:

	Current Period	Prior Period
Reverse Repo member balance	24,786	16,034
Total	24,786	16,034

4. Information on financial assets available-for-sale:

4.a) i. Information on financial assets available-for-sale given as collateral or blocked: None. (31 December 2013: None).

4.a) ii. Information on financial assets available-for-sale subject to repurchase agreements: None. (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

4.b) Information on available for sale assets:

Name	Acquired On	Current Period		Prior Period	
		Amount	Ratio(%)	Amount	Ratio(%)
Borsa İstanbul A.Ş. (VOBAŞ Devir Hisseleri)	31.05.2013	324	0.15	324	0.15
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	03.01.2011	637	4.10	555	4.10
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29.07.2011	210	10.50	200	10.00
S.W.I.F.T SCRL	24.04.2009	125	0.32	130	0.32
SASE-Sarajevo Menkul Kıymetler Borsası	18.05.2011	201	5.00	209	5.00
Total		1,497		1,418	

Debt securities	Current Period		Prior Period	
	Amount	Ratio(%)	Amount	Ratio(%)
Quoted on a stock exchange	-	-	-	-
Not quoted on a stock exchange	-	-	-	-
Share certificates	1,497		1,418	
Quoted on a stock exchange	-	-	-	-
Not quoted on a stock exchange(*)	1,497		1,418	
Impairment provision(-)	-	-	-	-
Total	1,497		1,418	

(*) All unquoted available for sale financial investments of the Bank are accounted for at cost.

5. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	92,124	2,170,773	222,278	2,138,897
Corporate shareholders	92,124	2,170,773	222,278	2,138,897
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
Total	92,124	2,170,773	222,278	2,138,897

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other
Non-specialized loans	169,177	-	-	-	-	-
Working capital loans	-	-	-	-	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	169,177	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	-	-	-	-	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	169,177	-	-	-	-	-

c) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	169,177	-	-	-
Non-specialized loans	169,177	-	-	-
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	-	-	-	-
Non-specialized loans	-	-	-	-
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	169,177	-	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

None. (31 December 2013: None).

There is no employee loans as of the balance sheet date (31 December 2013: None).

e) Information on commercial loans with installments and corporate credit cards: None (31 December 2013: None).

f) Loans according to borrowers:

	Current Period	Prior Period
Public	-	-
Private	169,177	282,291
Total	169,177	282,291

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	169,177	282,291
Foreign loans	-	-
Total	169,177	282,291

h) Loans granted to subsidiaries and associates: None (31 December 2013: None),

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
Uncollectable loans and receivables	1,637	1,637
Total	1,637	1,637

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

j.2) Information on movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectable Loans and Receivables
Prior period end balance	-	-	1,637
Additions (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	-	1,637
Specific provision (-)	-	-	1,637
Net Balances on Balance Sheet	-	-	-

j.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2013: None).

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Doubtful Collectability	Loans and Receivables With Doubtful Collectability	Uncollectable Loans and Receivables
Current Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,637
Specific Provision Amount (-)	-	-	1,637
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,637
Specific Provision Amount (-)	-	-	1,637
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

k) Main principles of liquidation policy for uncollectible loans and receivables: The Bank has no uncollectible loans and receivables as of the balance sheet date (31 December 2013: None).

l) Explanations about the policy for the asset's write-off: The general policy for the receivables write-off under follow-up is to write-off the receivables from asset which can not be collected in process of a legal enforcement.

m) Other explanations and disclosures: Collaterals and credit enhancement obtained during the year: The details of the collaterals obtained for cash loans as of 31 December 2014 and 2013 are as follows:

	Current Period	Prior Period
Equity Shares (quoted)	19,508	10,754
Letters of Guarantee	229,980	334,570
Total	249,488	345,324

6. Investments held to maturity:

6.a) i. Information on held-to-maturity investments given as collateral or blocked:

	Current Period	Prior Period
Held-to-maturity investments given as collateral or blocked	158,297	234,893
Unrealized accrual related to these investments	10,170	4,933
Total	168,467	239,826

6.a) ii. Held-to-maturity investments subject to repurchase agreements: None (31 December 2013: None with TL 245,000-to-maturity investments.)

6.b) Information on held-to-maturity public sector debt instruments:

	Current Period	Prior Period
Government Bond	168,467	239,826
Treasury Bill	-	-
Other Public Sector Debt Instruments	-	-
Total	168,467	239,826

6.c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	168,467	239,826
Quoted on a stock exchange	168,467	239,826
Not quoted on a stock exchange	-	-
Impairment provision (-)	-	-
Total	168,467	239,826

6.d) Movement of held-to-maturity investments

	Current Period	Prior Period
Beginning balance	239,826	-
Foreign currency differences on monetary assets	-	-
Purchases during year	213,250	236,992
Disposals through sales and redemptions	(289,845)	-
Impairment provision (-)	-	-
Effect of unearned coupon income on cost	5,236	2,834
Closing Balance	168,467	239,826

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Information on associates (net):

7.a) Information on the unconsolidated associates: The Bank has no unconsolidated associates (31 December 2013: None). Informations related Central Registry Agency are presented in the disclosure no.8.

7.b) Information on the unconsolidated associates: None (31 December 2013: None).

7.c) Explanations of consolidated associates: None (31 December 2013: None).

7.d) Information on sector information on consolidated associates: None (31 December 2013: None).

7.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2013: None).

8. Information on subsidiaries (Net):

8.a) Information on the unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank risk group's share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	İstanbul/Turkey	28.57	65.00

Bank's share in Merkezi Kayıt Kuruluşu A.Ş. ("MKK") is 65% and the Bank's voting right is 28.57% (2/7) according to its Articles of Association. Although the Bank possesses more than 20% of the voting rights of MKK. The Bank does not have significant influence over the company. For this reason the associate is not consolidated. This subsidiary is carried at cost amounting to TL 4,825 thousand in the financial statements.

Total Assets (*)	Shareholder's Equity	Total Fixed Asset	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/(Loss)	Prior Periods' Profits / (Losses)	Fair Value
102,894	68,965	16,938	4,796	-	18,788	17,545	-

(*) Non-Audited financial statements yet, prepared as of 31 December 2014, in accordance with the Turkish Accounting Standards.

	31.12.2014	31.12.2013
Paid-in capital	36,000	36,000
Legal reserves	18,948	13,390
Other reserves	-	-
Profit/loss	14,898	13,169
<i>Prior periods profit/loss</i>	<i>(3,890)</i>	<i>(4,376)</i>
<i>Current period net profit/loss</i>	<i>18,788</i>	<i>17,545</i>
Intangible Assets (-)	(13,519)	(10,061)
Total Core Capital	56,327	52,498
Supplementary Capital	-	-
Capital	56,327	52,498
Net Usable Equity	56,327	52,498

There is no assessment of subsidiaries' internal capital adequacy

Paid capital is indicated in the main agreement of the Bank as Turkish Liras and registered in the trade registry.

Legal reserves are the reserve funds which are indicated in the Turkish Trade Act's(numbered 6762) 466. dam's first paragraph and second paragraph's third subparagraph, and 467.dam and accounted from related year's profit.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

8.b) Information on the consolidated subsidiaries:

i. Information on the consolidated subsidiaries: None (31 December 2013: None).

ii. Information on movement of consolidated subsidiaries: None (31 December 2013: None).

iii. Sectoral information on the consolidated subsidiaries and the related carrying amounts: None (31 December 2013: None).

iv. Consolidated subsidiaries quoted on the stock exchange: None (31 December 2013: None).

9. Information on entities under common control (joint ventures): None.(31 December 2013: None).

10. Information on finance lease receivables (Net): None (31 December 2013: None).

11. Information on derivative financial assets for hedging purposes: None (31 December 2013: None).

12. Information on tangible assets:

	Prior Year's Closing Balance 31 December 2013	Additions	Disposals	Closing Year Balance 31 December 2014
Cost:				
Land and buildings	14,388	1,614	(1,608)	14,394
Leased tangible assets	-	-	-	-
Vehicles	570	1,014	(538)	1,046
Other	7,510	4,226	(684)	11,052
Total Cost	22,468	6,854	(2,830)	26,492

	Prior Year's Closing Balance 31 December 2013	Charge for the Year	Disposals	Closing Year Balance 31 December 2014
Accumulated Depreciation:				
Land and buildings	(3,593)	(153)	-	(3,746)
Leased tangible assets	-	-	-	-
Vehicles	(266)	(429)	-	(695)
Other	(4,196)	(740)	-	(4,936)
Total Accumulated Depreciation	(8,055)	(1,322)	-	(9,377)
Net Book Value	14,413	5,532	(2,830)	17,115

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Prior Year's Closing Balance 31 December 2012	Additions	Disposals	Current Year's Closing Balance 31 December 2013
Cost:				
Land and buildings	12,837	1,608	(57)	14,388
Leased tangible assets	-	-	-	-
Vehicles	333	237	-	570
Other	5,853	1,893	(236)	7,510
Total Cost	19,023	3,738	(293)	22,468

	Prior Year's Closing Balance 31 December 2012	Charge for the year	Disposals	Current Year's Closing Balance 31 December 2013
Accumulated Depreciation:				
Land and buildings	(3,379)	(214)	-	(3,593)
Leased tangible assets	-	-	-	-
Vehicles	(262)	(4)	-	(266)
Other	(3,258)	(938)	-	(4,196)
Total Accumulated Depreciation	(6,899)	(1,156)	-	(8,055)
Net Book Value	12,124	2,582	(293)	14,413

12.a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:

i. Reason and conditions for booking or reversing impairment: The details for reason and conditions for booking or reversing impairment are given in note (12.b) of the report.

ii. Amount of impairment booked or reversed in the financial statements: The details for amount recorded or reversed impairment in the financial statements are given in part (12.b) of the Report.

12.b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: There is no material impairment provision set or cancelled in the current period (31 December 2013: None).

There is no impairment accounted related to property and equipment in the current period.

12.c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Information on intangible assets:

	Prior Year Closing Balance 31 December 2013	Additions	Disposals	Closing Balance 31 December 2014
Cost:				
Leasehold improvements	-	-	-	-
Other intangible assets	4,900	1,576	(182)	6,294
Total Cost	4,900	1,576	(182)	6,294
Accumulated Amortization:				
Leasehold improvements	-	-	-	-
Other intangible assets	(4,016)	(855)	-	(4,871)
Total Accumulated Amortization	(4,016)	(855)	-	(4,871)
Net Book Value	884	721	(182)	1,423

	Prior Year Closing Balance 31 December 2012	Additions	Disposals	Closing Balance 31 December 2013
Cost:				
Leasehold improvements	-	-	-	-
Other intangible assets	4,718	183	(1)	4,900
Total Cost	4,718	183	(1)	4,900
Accumulated Amortization:				
Leasehold improvements	-	-	-	-
Other intangible assets	(3,214)	(802)	-	(4,016)
Total Accumulated Amortization	(3,214)	(802)	-	(4,016)
Net Book Value	1,504	(619)	(1)	884

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None (31 December 2013: None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None (31 December 2013: None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (31 December 2013: None).

d) The book value of intangible fixed assets that are pledged or restricted for use: None (31 December 2013: None).

e) Amount of purchase commitments for intangible fixed assets: None (31 December 2013: None).

f) Information on revalued intangible assets according to their types: None (31 December 2013: None).

g) Amount of total research and development expenses recorded in income statement within the period if any: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

h) Positive or negative consolidation goodwill on entity basis: None (31 December 2013: None).

i) Information on goodwill: None (31 December 2013: None).

j) Movements on goodwill in the current period: None (31 December 2013: None).

14. Information on investment property: None (31 December 2013: None).

15. Explanations on deferred tax asset:

a) As of 31 December 2014, deferred tax asset is TL 4,013 (31 December 2013: TL 2,679).

Distribution of deferred tax asset:

	Current Period	Prior Period
CMB provisions	1,704	1,422
Severance provision	1,437	883
Provision for Employee Termination Benefits	746	537
Provision for Legal Claims	110	58
Difference between Book Value and Tax Base of Tangible and intangible assets	(120)	(56)
Valuation Differences of Marketable Securities	136	(165)
Total	4,013	2,679

b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None (31 December 2013: None).

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None (31 December 2013: None)

d) Movement of deferred tax asset:

	Current Period	Prior Period
January 1	2,679	2,287
Effect of change in effective tax rate	-	-
Deferred tax (charge)/benefit	971	381
Deferred tax (charge)/benefit (Net)	971	381
Deferred tax accounted in Shareholders' Equity	363	11
Deferred Tax Asset	4,013	2,679

16. Information on assets held for sale and discontinued operations:

None (31 December 2013:None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Information on other assets:

Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Breakdown of other assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Seller advances (NASDAQ)	24,033	-	-	-
Commission receivables from members	5,393	-	4,943	-
Prepaid expenses	2,504	-	1,638	-
Custody accruals	35	-	37	-
Cash guarantees given	10	-	10	-
Office supply inventory	1	-	2	-
Other	256	-	11	-
Total	32,232	-	6,641	-

II. Explanations and Notes Related to the Liabilities

1. Explanations related to deposits:

a) Information on maturity structure of deposits:

The Bank is not authorized to accept deposits.

b) Information on saving deposits under the guarantee of saving deposit insurance:

The Bank is not authorized to accept deposits.

c) Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad:

The Bank's head office is in İstanbul, Turkey.

d) Saving deposits not guaranteed by insurance:

The Bank is not authorized to accept deposits.

2. Information on derivative financial liabilities held-for-trading:

None (31 December 2013:None).

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	478,356	1,293,920	668,610	1,574,109
From Foreign Banks, Institutions and Funds	-	-	-	-
Total	478,356	1,293,920	668,610	1,574,109

(*) In the prior period balance, there is an amount of 209,469 TL fund revenue which comes from repo transactions .

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

b) Maturity analysis of Funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	478,356	1,293,920	668,610	1,574,109
Medium and long-term	-	-	-	-
Total	478,356	1,293,920	668,610	1,574,109

c) Additional explanation related to the concentrations of the Bank's major liabilities:

The liabilities of the Bank consist of taxes payable, similar payables and cash collaterals and current accounts of the members. The Bank also has liabilities regarding the amounts held due to managing the guarantee funds established for common stock, government bond and Treasury bill markets on the İstanbul Stock Exchange Warrant Deputy (OPIC) and managing the guarantee funds and guarantees of transactions in Turkish Derivative Exchange.

4. Information on funds provided from repurchase agreement transactions:

None (31 December 2013: 209,469).

5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

The breakdown of other liabilities is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
BIAŞ Guarantee Fund - Share Certificates	31,758	-	48,158	-
BIAŞ Guarantee Fund - Bond	103	-	25,265	-
Other	47,378	-	51,364	-
Total	79,239	-	124,787	-

The Breakdown of Miscellaneous Payables which is the majority of the passive total of the balance sheet is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash Guarantees	2,107,037	491,502	2,100,474	394,450
Other Cash Guarantees	114,811	53,371	54,571	28,972
Expense Accruals	21,013	-	12,267	-
Capital Market Board's share fee (*)	775	-	493	-
Total	2,243,636	544,873	2,167,805	423,422

(*) The relevant amount is subject to accretion in the "Bank" account, as explained in Section VI, as per the instruction of the Capital Markets Board.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank: None (31 December 2013: None).

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None (31 December 2013: None).

c) Explanation on finance lease payables: None (31 December 2013: None).

d) Explanations regarding operational leases: None (31 December 2013: None).

e) Explanations on the lesser and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None (31 December 2013: None).

7. Information on derivative financial liabilities for hedging purposes:

None (31 December 2013: None).

8. Information on provisions

a) Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions		
Provisions for First Group Loans and Receivables	6,284	6,002
Provisions for Second Group Loans and Receivables	-	-
Provisions for Non-cash Loans	17,701	16,978
Other	-	-
Total	23,985	22,980

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (31 December 2013: None).

c) The specific provisions provided for unindemnified non cash loans: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

d) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labor Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. As the maximum liability is revised semi annually, the maximum amount of TL 3,541.37 (31 December 2013: TL 3,438.22) effective from 1 January 2013 has been taken into consideration in calculation of provision for employment termination benefits.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 6.00% (31 December 2013: 4.5%) and interest rate 9.00% and a discount rate of 2.83% (31 December 2013 2.87%), resulting in a real discount rate of approximately 3.75% (31 December 2013: 3.75%). The anticipated rate of forfeitures is considered.

	Current Period	Prior Period
Total	15,382	11,824
The ratio of provision to undiscounted total liabilities	8,197	7,408
Provision for employee termination (Presented in financial statements)	7,185	4,416
Total liabilities of employee terminations (Undiscounted)(%)	87.65	59.61

As of 31 December 2014, the Bank provided a reserve of TL 3,730 (31 December 2013: TL 2,684) for the unused vacation. This balance is classified under Reserve for Employee Benefits in the financial statements.

d.1) Movement of employee termination benefits

	Current Period	Prior Period
As of January 1	4,416	3,476
Paid during the year	(285)	(2)
Actuarial (gain)/loss	1,814	53
Charge for the year	1,241	889
Service charge	594	558
Interest charge	647	331
Total	7,185	4,416

d.2) The reserve for the employee benefits

	Current Period	Previous Period
Unused vacation provision	3,730	2,684
Retirement bonus provision	-	-
Total	3,730	2,684

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

e) Information on other provisions:

e.1) Information on provisions for possible losses: None (31 December 2013: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Capital Market Board's Share Fee (*)	8,522	7,103
Provision for Legal Claims (**)	549	290
Total	9,071	7,393

(*) Capital Market Board's Share Fee consists of commission fee which will be paid to the CMB in accordance with the Article 28 of the CMB's regulation dated 25 February 2011. The calculation of the expense accrual, which will be paid to the CMB in 2013, is based on %10 of the current year's income accounts, excluding interest income. Additionally, CMB has discretion to change the commission fee amount.

(**) According to Information from the Law Department of the Bank, there are eleven cases which filed against the bank and still ongoing. One of these cases is the case prosecuted by Investors Protection Fund which have been brought an action against the case of bank with the demand of cancelation of pledged right on the Capital Market Instruments as a colletarel of credits used by a brokerage house whose operations have been interrupted by CMB and it has been decided to liquidate gradually. Other six cases are relevant with mentioned CMB cases that are about claim for return of the capital market instruments pledged by the customers of brokerage firm. One of the remaining cases is related with compensation of the loss which was occurred due to payment made by a brokerage house to İstanbul 8th directorate of enforcement.

The remaining court cases are concerning dividend distribution and overtime claims of the bank's employees whose employment contracts were terminated. The Bank has recorded TL 549 (31 December 2013: TL 290) provision related to these cases in the financial statements within the context of TAS 37. As of the balance sheet date, there is one more ongoing case filed by the Bank.

	Current Period	Prior Period
Provisions for Cases Beginning Balance	290	32
Additions	700	264
Payments	(441)	(6)
Provisions for Cases Year End	549	290

f) Liabilities Resulting from Retirement Benefits: None (31 December 2013: TL None).

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2013: None).

f.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post retirement benefits for the employees: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for Corporate Taxes	30,026	19,792
Advance Taxes (-)	22,332	12,993
Provision for current taxes	7,694	6,799

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	7,694	6,799
Taxation on Securities	439	517
Banking Insurance Transaction Tax (BITT)	879	742
Value Added Tax Payable	89	72
Other	1,702	838
Total	10,803	8,968

a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	262	207
Social Security Premiums-Employer	263	205
Unemployment Insurance-Employee	19	15
Unemployment Insurance-Employer	37	29
Total	581	456

b) Explanations on deferred tax liabilities, if any: None (31 December 2013: None).

10. Information on liabilities regarding assets held for sale and discontinued operations:

None (31 December 2013: None).

11. Explanations on the number of subordinated loans the Bank used maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock (*)	600,000	420,000
Preferred stock	-	-

(*) As of 31 December 2014 The Bank has totally 6,000,000,000 issued share certificates. 2,000 of these shares are preferred shares.

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, amount of registered share capital ceiling:

Registered share capital system is not applied as of the balance sheet date (31 December 2013: Not applied).

c) Other information on the share of capital increased through capital contributions performed during the current period and capital funds:

As per the 19th Ordinary General Assembly meeting of the Bank dated 28 March 2014, the Bank's paid-in capital was increased from TL 420,000 to TL600,000. Dated 20 June 2014, the Bank's paid-in capital increased to TL600,000, TL60,000 comes from cash, TL120,000 comes from domestic funds.

d) Other information on the share of capital increased through capital contributions performed during the current period and capital funds:

During the period ending 31 December 2014, The Bank has been added to capital amount to TL 120,000 from other capital reserve. (31 December 2013: 92,700 from capital reserves, 83,700 from extraordinary reserves).

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None (31 December 2013: None).

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Due to the Bank's liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

g) Information on preferred shares:

As of 31 December 2014, the Bank has preferred shares with a nominal value of TL 200. According to the article six of the Articles of Association, the shares which represent group A shares of the newly issued group A and B shares belong only to İstanbul Stock Exchange and cannot be transferred. Besides, according to the Bank's Articles of Association - article 9/b, four members of the board of directors are chosen by the General Assembly, among the candidates presented by group A shareholders.

h) Information on marketable securities value increase fund:

None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

i) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	9,531	56,007
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
Total	9,531	56,007

13. Other Information on Shareholders' Equity:

The Bank has been added to capital amount to TL 120,000 from other capital reserve. (31 December 2013: 92,700 from capital reserves, 83,700 from extraordinary reserves).

14. Information on minority shares:

None (31 December 2013: None).

15. Information on profit distribution:

As per the decision taken at the Bank's Ordinary General Assembly meeting dated 28 March 2014, a dividend amounting to TL3,943 (31 December 2013: TL 3,695) was distributed to personnel. According to the decision the Bank took at its Ordinary General Assembly Meeting dated 4 April 2014, the tax provision amounting to TL747 remaining after the taxation of the dividend to be distributed to personnel, management and audit committee members was extracted from the provision account and added to the extraordinary reserve account.

III. Explanations and Notes Related to the Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments: None (31 December 2013: None).

b) Possible losses and commitments related to off-balance sheet items including items listed below:

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits as of the balance sheet date

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	-	-
With maturity of 1 year or less than 1 year	-	-
With maturity of more than 1 year	-	-
Other non-cash loans (*)	6,425,023	5,830,013
Total	6,425,023	5,830,013

(*) Guarantees given to Stock Exchange Money Market for Payables.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural								
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	6,425,023	100.00	-	-	5,830,013	100	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial institutions	6,425,023	100.00	-	-	5,830,013	100	-	-
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	6,425,023	100.00	-	-	5,830,013	100	-	-

Information on I. and II. Group non-cash loans:

	I. Group		II. Group	
	TL	FC	TL	FC
Non-cash loans	6,425,023	-	-	-
Letters of guarantee	-	-	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	6,425,023	-	-	-

b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2013: None).

c) Information related to Non-Cash Loans:

As bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts. The limits are defined for the members and it is required to have continued guarantees. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

d) Information related to Market Securities Hedges; the market securities hedges, TL 1,446,801,581 TL (31 December 2013: TL 997,027,387) of the TL 1,446,555,860 (31 December 2013: TL 996,781,231) balance of market securities hedges are investment funds as the other TL 245,721 (31 December 2013: TL 246,156) balance consists of share certificate hedges.

e) According to the strategic cooperation between BİAŞ and Nasdaq OMX; service of back-up, maintenance, information transfer, practice, source codes and licences of Nasdaq OMX softwares that Bank needs for barter, warrant management and risk management is decided to be bought from BİAŞ which costs 26,985,000 USD via Bank Board of Directors. In this context, Bank has paid the first installment that costs 10,794,000 USD to BİAŞ (equivalent to 22,862 TL) in 30 April 2014. Bank will make the payment of the equivalence of 10,794,000 USD in TL in 31/03/2015 and equivalence of 5,397,000 USD in TL in 31 March 2016.

2. Information related to derivative financial instruments:

The Bank has no derivative financial instruments as of 31 December 2014 and 2013.

Breakdown of the Bank's foreign currency forward and swap transactions as of the balance sheet date based on currencies are disclosed below in their TL equivalents: None (31 December 2013: None).

Fair Value Hedges

Net profit/(loss) due to hedging instruments of the Bank: None (31 December 2013: None).

Net Investment Hedges:

The periods when cash flows are expected to be realized regarding cash flow hedges and the periods when cash flows are expected to affect profit or loss, as of 31 December 2014: None (31 December 2013: None).

Net Investment Hedges at the Foreign Companies

None (31 December 2013: None).

3. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other ventures: None (31 December 2013: None).

a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None (31 December 2013: None).

a.3) The Bank's contingent liabilities resulting from liabilities of other ventures in entities under common control (joint ventures): None (31 December 2013: None).

b) Accounting and presentation of contingent assets and liabilities in the financial statements: None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Custodian and intermediary services:

The Bank carries out custody transactions for marketable securities, precious metals and other securities and executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges. Besides, the Bank opens custody accounts for its customers, institutional investors and companies quoted on the İstanbul Stock Exchange and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the individual investors; performs the procedures related to the obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing the marketable and other securities and additional financial services.

5. The information on the Bank's rating by the international rating introductions:

None (31 December 2013: None).

IV. Explanations and Notes Related to the Income Statement

1. Information on interest income

a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans	8,489	-	12,008	-
Short term loans	8,489	-	12,008	-
Medium and long term loans	-	-	-	-
Interest on non-performing loans	-	-	-	-
Premiums received from Resource Utilization	-	-	-	-
Total	8,489	-	12,008	-

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	98,849	47,714	70,588	34,110
Foreign banks	-	-	-	1
Branches and head office abroad	-	-	-	-
Total	98,849	47,714	70,588	34,111

c) Interest received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	114	-	-	-
Available-for-sale securities	-	-	-	-
Held-to-maturity securities	24,044	-	6,894	-
Total	24,158	-	6,894	-

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

d) Information on interest income received from associates and subsidiaries:

None (31 December 2013: None).

e) Other information:

None (31 December 2013: None).

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	40,076	-	32,912	-
The Central Bank of Turkey	-	-	-	-
Domestic banks	40,076	-	32,912	-
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	40,076	-	32,912	-

b) Information on interest expense to associates and subsidiaries:

None (31 December 2013: None).

c) Information on interest expense to marketable securities issued:

None (31 December 2013: None).

d) Distribution of interest expense on deposits based on maturity of deposits:

None (31 December 2013: None).

3. Information on dividend income:

	Current period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	-	1,299
Other (Investment in subsidiaries)	6,166	6,035
Total	6,166	7,334

4. Information on net trading income:

	Current period	Prior Period
Income	736	312
Gains on capital market operations	270	-
Gains on derivative financial instruments	-	-
Foreign exchange gains	466	312
Losses (-)	(416)	(14)
Losses on capital market operations	-	-
Losses on derivative financial instruments	-	-
Foreign exchange losses	(416)	(14)
Total(Net)	320	298

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Information on other operating income:

Other operating income mainly consists of commission and fee income obtained related with shares and public sector debt securities custody, customer name based custody, account maintenance, bonus share collection and stock exchange settlement operations in line with the main activities of the Bank. Other operating income mainly consists of the income received from selling assets and collection income relating to the previous year's expenses.

	Current Period	Prior Period
Collection from the prior periods expenses	103	40
Income from sales of the assets	111	-
Other income	27	28
Total	241	68

In the fifth section and fourth part Note 11, details of sub-accounts of balances that are grouped under "Others" section that constitute at minimum 20% of the balances under "Other" section are included if the accounted under "Other" section excludes 10% of the total balance of the Income Statement.

Nature and amount of the incomes that results from extraordinary items and information about the factors that highly affects Bank's incomes and that includes new developments

None. (31 Aralık 2013: None).

Including new developments and significant factors affecting the Bank's income and unusual items arising from the information about the nature and amount of income:

The Bank does not have extraordinary income that substantially affects the profit and loss (31 December 2013: None)

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	-	-
- III. Group Loans and Receivables	-	-
- IV. Group Loans and Receivables	-	-
- V. Group Loans and Receivables	-	-
General provision expenses	1,005	3,080
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
- Financial assets at fair value through profit and loss	-	-
- Investment securities available for sale	-	-
Impairment provision expense	-	-
- Associates	-	-
- Subsidiaries	-	-
- Entities under common control (Joint Ventures)	-	-
- Investments held to maturity	-	-
Other	-	-
Total	1,005	3,080

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	39,670	30,962
Provision for Employee Rights	1,241	1,156
Tangible Amortisation Expenses	1,322	1,338
Intangible Amortisation Expenses	855	802
Other Management Expenses	9,825	7,154
-Maintenance and Repair Expenses	159	236
-Announcement and Advertisement Expenses	281	579
-Other Expenses	9,385	6,339
CMB Council Portion	8,522	7,103
Other	6,152	4,773
-Tax, Duty and Charge Expenses	2,230	2,405
-Short Term Employee Benefits Provision Expense	1,222	604
-Audit and Consultancy Expenses	802	687
-Leave Fee Provision Expenses	700	307
-BRSA Share Expenses	551	353
-Various Service Purchase Expenses	513	259
-Union of Banks of Turkey Share Expenses	134	153
-Expenses of Prior Year Incomes	-	5
Total	67,587	53,288

8. Information on profit/ (loss) from continued and discontinued operations before taxes:

a) Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	Current Period	Prior Period
Current income tax charge	(30,026)	(19,792)
Deferred tax benefit / (charge)	971	381
Total	(29,055)	(19,411)

b) Deferred tax benefit on temporary differences

	Current Period	Prior Period
Amortized cost effect of held-to-maturity investments	301	(165)
Retirement pay provision	554	188
Time deposits amortized cost effect	(64)	(41)
Useful life differences on tangible and intangible fixed assets (Tax legislation & TAS)	543	(410)
Other provisions	(363)	(11)
Total	971	381

c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	150,547	101,220
Corporate tax rate	%20	%20
Calculated tax	(30,109)	(20,244)
Effects of undeductable expenses	14,763	(2,488)
Other tax exempt income	(13,709)	3,321
Tax expense	(29,055)	(19,411)

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Information on net profit/ (loss) from continued and discontinued operations:

As of 31 December 2014, net profit of the Bank is TL 121,492 (31 December 2013: TL 81,809).

10. The explanations on net income / loss for the period:

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding Bank's performance for the period: None (31 December 2013: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (31 December 2013: None).

c) Profit or loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (31 December 2013: None).

11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

	Current Period	Prior Period
Other fees and commissions	58,435	45,289
- Turkish derivative exchange commissions	10,439	6,093
- Custody commissions	9,794	8,556
- Customer account maintenance commissions	12,333	10,287
- Exchange commissions	5,814	5,327
-Portfolio commissions of problematic members	198	103
- Service commissions	8,542	6,292
- Blockage transaction commissions	98	101
- Expense recharges	41	37
- Other	11,176	8,493
Transfer commissions	3,122	2,635
Other commission	3	5
Total Banking Service Income	61,560	47,929
Collection due to previous year's expenses	103	40
Income on sales of assets	111	-
Other income	27	28
Total Non-Interest Income	241	68

12. Information for the fees and commissions given:

	Current Period	Prior Period
Central Securities depository commissions	2,916	2,179
Electronic fund transfer commissions	1,010	902
Other Commissions	1,401	1,123
Fees and commissions expense	5,327	4,204

b) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods:

None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Notes Related to Statement of Shareholders' Equity Movement

a) Decrease resulting from revaluation of financial assets available for sale:

None (31 December 2012: None).

b) Increase in cash flow risk hedging items:

None (31 December 2012: None).

b.1) Reconciliation of beginning and ending balances:

None (31 December 2012: None).

b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity:

None (31 December 2012: None).

c) The reconciliation related with foreign exchange amounts in the beginning and end of the period:

None (31 December 2012: None).

d) Net investment hedges:

None (31 December 2012: None).

e) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

f) Dividends per share proposed subsequent to the balance sheet date:

Profit appropriation will be resolved in the General Assembly meeting which has not been held as of the date of the accompanying financial statements are authorized for issue.

g) Proposals to the General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this:

The Board of Directors has not decided for profit appropriation as of the date of the financial statements is authorized for issue.

h) Amounts transferred to legal reserves:

As per the decision taken at the Bank's 19th Ordinary General Assembly meeting dated 28 March 2014 decided to transferred to TL 73,524 of the Banks net profits calculated on 28 March 2014 dated. The General Assembly appropriated the extraordinary reserves and legal reserves of TL 4,454 Thousand on dividends payable.

	Current Period	Prior Period
Amounts transferred to reserves from retained earnings (+)	4,454	369

i) Information on shares issued:

The Bank has 1,800,000 new shares issued as of the balance sheet date (31 December 2013: 3,600,000,000 shares).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and Notes Related To Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

"Other items" amounting to TL31,767 (31 December 2013: TL64,898) in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid and other expenses other than personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

"Net increase/decrease in other liabilities" amounting to TL95,936 (31 December 2013: TL633,533) in "Changes in operating assets and liabilities" consists of changes in sundry creditors and other liabilities. "Net increase/decrease in other assets" with a total amount of TL250,716 (31 December 2013: 222,894) consists of changes in sundry debtors and other assets.

The effect of changes in foreign currencies on cash and cash equivalents is TL159,330 (31 December 2013: TL39,241).

2. Cash and cash equivalents in the beginning and at the end of the period:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

Beginning of the period	Current Period	Prior Period
Cash	62,269	132,912
Cash in TL/Foreign Currency	14	16
Central Bank - Unrestricted amount	62,255	132,896
Other	-	-
Cash equivalents	4,680,074	3,204,101
Banks	4,664,040	3,190,024
Money market placements	16,034	14,077
Total Cash and Cash Equivalents	4,742,343	3,337,013
Accruals (-)	(12,317)	(8,221)
Total cash and cash equivalents in cash flow statement	4,730,026	3,328,792
End of the period		
Cash	54	62,269
Cash in TL/Foreign Currency	15	14
Central Bank - Unrestricted amount	39	62,255
Other	-	-
Cash equivalents	5,095,564	4,680,074
Banks	5,070,778	4,664,040
Money market placements	24,786	16,034
Total Cash and Cash Equivalents	5,095,618	4,742,343
Capital Market Council Share(*)	(21,013)	-
Accruals (-)	(13,397)	(12,317)
Total cash and cash equivalents in cash flow statement	5,061,208	4,730,026

(*) Since 1st January 2014, according to the instruction of CMB, Debt of Council Portion is considered as blocaged amount and is discounted from the sum of cash and cash equivalents since 31st December 2014.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and notes related to Bank's risk group

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Cash	Non-cash	Cash
Loans and other receivables						
Balance at beginning of period	-	-	222,278	4,776,503	-	-
Balance at end of period	-	-	92,124	2,333,793	80,161	-
Interest and commission income	6	-	12,705	11,161	2,924	-

b) Prior Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Non-cash	Cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	90,168	3,918,889	60,009	191,189
Balance at end of period	-	-	222,278	4,776,503	-	-
Interest and commission income (+)	138	-	16,099	10,035	3,016	-

(*) The balances stated above indicate the balances at 31 December 2013

c) Information on related party deposits balances:

None (31 December 2013: None).

d) Information on forward and option agreements and other similar agreements made with related parties:

None (31 December 2013: None).

2. Disclosures for the risk group of the bank:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

None (31 December 2013: None).

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

None (31 December 2013: None).

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

None (31 December 2013: None).

d) Transactions accounted for under the equity method:

None (31 December 2013: None).

e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

None (31 December 2013: None).

VIII. Explanations and Notes on the Bank's domestic branches, agencies and branches abroad and off-shore branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches

	Number	Employees	Country	Total Asset	Capital
Domestic branches	1	257			
Rep-offices abroad	-	-	-	-	-
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

2. Explanations on Branch and Agency Openings or Closings and on Substantial Change in the Organization of the Bank:

None (31 December 2013: None).

IX. Explanations and Notes Related To Subsequent Events

In accordance with the 4th subsection of 130th section of Capital Market Law, CMB Council Share which is total TL18,797 for 2011, 2012 and 2013 and which is 10% of the tax base that is calculated by discounting interest incomes from the sum of all incomes that are shown in Banks' Income Statement is paid on 26 January 2015 and CMB Council Share of 2014 that costs total TL8,522 is paid on 16 February 2015.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on the Operations of the Bank

- i. As of 31 December 2014, under the Financial Assets at Fair Value through Profit and Loss account, the Bank has government bonds, amounting to TL 1,241 belonging to problematic brokerage houses, as a guarantee. In addition, under the receivables from reverse repurchase agreements account, as a guarantee, the Bank has investment securities purchased under commitments to resell amounting to TL 24,775 which also belongs to problematic brokerage firms. The corresponding liability accounts for these securities are followed under sundry creditors account. The increase in the fair values of these government bonds and treasury bills amounting to TL 15 and the income accrual of the reverse repo transactions amounting to TL 11 based on the difference between the sale and repurchase prices, are recorded under other liabilities without recognizing the amounts in the income statement.
- ii. Upon receipt of a directive from Capital Markets Board, the Bank accounts for the board share debt, which amounts to TL 21,013 and is followed under the "Other Debts" account in the financial year ending on 31 December 2014 (31 December 2013: TL 12,267), in the "Banks" account so that it yields interest on behalf of the Capital Markets Board.
- iii. Bank has decided to support the World Bank Development Center of the Global Islamic Finance for 5 years with the decision of Board of Management No:8 dated 30th May 2013. In this scope, total amount of 450,000 USD contribution has planned to be made on the basis of voluntariness and 180,000 USD of this amount has been paid in 2014.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the year ended 31 December 2014 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the independent auditor's report dated 20 February 2015 has been presented prior to the unconsolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None (31 December 2013: None).

Risk Management Policies for Certain Risk Categories

Pursuant to the regulations of the Banking Regulatory and Supervisory Agency, the Bank manages the risks to which it is subject in an appropriate way as to volume, qualification and complexity of its operations.

The duties, authorization and responsibilities as well as the working principles and procedures of the Risk Management Team were stipulated by Takasbank Risk Management Regulation approved in the Board of Directors meeting numbered 278 dated 25 December 2014; and the principles and procedures related to identifying, measuring, monitoring and reporting of the risks to which Takasbank is exposed during its operations were identified in detail.

Sustaining the activities of Takasbank in a manageable and controllable manner, so as to establish the balance between income and expense and by taking risk at a reasonable level forms the general risk policy of Takasbank. The risk capacity of Takasbank is determined in accordance with its capital adequacy policy.

Takasbank manages its risks in a manner to ensure that they stay above/below the minimum/maximum limits designated in all legal regulations being subject to and remain under the risk appetites approved by the Board of Directors. Results of the activities conducted for the risk management are taken into consideration in the strategic decision-making processes of Takasbank. Prior to launching new products and services, a risk assessment is performed by Takasbank by taking into account all the risks being exposed to.

"Takasbank Internal Capital Adequacy Assessment Process Regulation" comprising of the capital adequacy policy of Takasbank and its policy regarding the liquidity, funding as well as the principles and procedures for the functioning of the internal capital adequacy assessment process and the reports to be prepared thereof was approved in the Board of Directors meeting numbered 273 dated 27 August 2014; and "Takasbank Procedure for Stress Test Program Policy and Implementation Principles" outlining the principles, assumptions and practices to be applied by Takasbank was also approved in the Board of Directors meeting numbered 276 dated 27 November 2014.

The Internal Capital Adequacy Assessment Process (ICAAP) Report and the Stress Test Report enclosed to the said report prepared under the coordination of the Risk Management Team for 2013, the Validation Report prepared by the Internal Control and Compliance Team, and the Review Report prepared by the Internal Audit Team were submitted to us and the foregoing reports were approved in the Board of Directors meeting numbered 273 dated 27 August 2014 and were conveyed to the Banking Regulation and Supervision Agency (BRSA).

As part of Pillar 1 and Pillar 2 risks to which Takasbank is exposed, the risk limits and signal values and the risk appetites thereof were determined in Takasbank Board of Directors' meetings numbered 264 and 278.

Takasbank's risk appetite structure is reviewed at least once a year, whereas the risk limits as well as signal values determined on the basis of risk types are reviewed according to the market conditions and the changes in the Takasbank strategies. In case the assigned risk appetites, risk limits and signal values exceed the values which are determined by Board of Directors, the Risk Management Team notifies the relevant authorities accordingly.

The Risk Management Team manages and coordinates the activities related to measuring, evaluating, monitoring and reporting of the risks to which Takasbank is exposed and carries out its operations under the Audit Committee in accordance with the banking legislation and the internal regulations approved by the Board of Directors. The risk management activities of Takasbank concentrate mainly on Pillar 1 risks (credit, market and operational risk) and Pillar 2 risks (liquidity risk, interest rate risk resulting from banking accounts and the central counterparty business risk and the provision for restructuring cost) defined within the scope of the banking regulation.

Management of Pillar 1 Risks

> a) Credit Risk Management

Takasbank's cash credit transactions consist of loans granted to brokerage houses. Since Takasbank acts as guarantor for the liabilities of the members towards each other on the Takasbank Money Market (TMM), these transactions are considered as non-cash loans pursuant to the banking regulation. Takasbank operates as Central Counterparty on the Securities Lending Market as well as on the Futures and Options Market as of 3 March 2014, and the liabilities arising from such transactions are also considered as non-cash loans.

Credit transactions bear the credit risk, in other words, the likelihood of the borrowing members or the guarantors to fail in timely fulfilling their obligations they have previously undertaken in writing and in the manner as stipulated by the contracts. The counterparty credit risk resulting from the banking accounts is evaluated within the credit risk.

Credit limits are revised according to the changes in the members' financial positions. Conducting the limit, risk and collateral controls continuously and on case-by-case basis in electronic environment minimizes the operational mistakes.

The results of internal credit rating are used for identification of the credit or position limits to be allocated to the banks and brokerage houses or of the membership types of the banks and brokerage houses that will execute transactions in the market where the Bank will provide service as central counterparty or in the capital market instruments, and the said limits are put into effect after resolution is taken by the Board of Directors.

For credit availability, liquid and/or liquid-like collaterals are taken as per the applicable regulation, procedure and directive. For management of the concentration risk of the credit collaterals, some data on the share certificates traded at Borsa İstanbul and subject to the collateral are periodically assessed by statistical methods and quota for each collateral share certificate is determined. Credit risk is managed by establishment of an effective and powerful collateralization mechanism and allocation of appropriate limits.

Takasbank manages the credit risk by taking account of the limits set forth in all prevailing legal regulations, the risk appetite, the allocated risk limits and the signal values determined pursuant to the early warning system as well as internal capital requirements.

In accordance with the regulations of the Banking Regulatory and Supervisory Agency (BRSA), the amount of credit risk weighted assets is calculated by the standardized approach monthly and the results are reported to the BRSA. In addition, both the Detailed Credit Risk Analysis Form and the Reverse Repo/Repo Transactions Detail Information Request Table are also prepared on a monthly basis.

➤ **b) Market Risk Management**

Treasury management strategy of Takasbank is designed pursuant to the objectives of avoiding any liquidity problem, maintaining optimization in the risk-yield balance and investing the resources at the highest efficiency rates by taking risk at reasonable levels.

Takasbank's fund management transactions are conducted with the banks and particularly with the state banks, to whom a credit limit was allocated by the Board of Directors. Other than the Government Domestic Debt Securities, no securities are accepted by Takasbank in its securities portfolio. On the other hand, derivative products may be used for hedging purposes.

Both maturity- and instrument-based breakdowns of Takasbank portfolio and the developments in the markets are monitored in a continuous manner by the Fund Management Team and the Senior Management of Takasbank. The fund

management strategy is also revised, if deemed necessary, by the Executive Management depending on the developments in the markets.

Takasbank manages the market risk by taking into account the limits set forth in all prevailing legal regulations, the risk appetite, the allocated risk limits and the signal values determined pursuant to the early warning system as well as internal capital requirements.

Market risk, to which Takasbank is exposed, is measured and monitored by using two different methods known as the Standard Method and the Value at Risk (VAR) which are included in the legislation of the jurisdiction being developed in line with the international practices. Market risk refers to the probability of loss to which Takasbank might be exposed due to the general market risk and the exchange rate risk. Market risk calculations made by using the standard method are performed at the end of each month, and the measurement results are made subject to the legal reporting, and also reported to Takasbank Senior Management.

In measuring and monitoring the market risk, the VAR method is also used as an alternative to the standard method, and the market risk exposure is measured on a daily basis and subject to intra-bank reporting. Back tests aiming to check the soundness of the assumptions of the VAR method which relies on estimating probable maximum loss amount of the next day are also performed on a daily basis.

Scenario analysis underpinning the VAR method which measures any impairment that might occur in the market value of Takasbank portfolio under ordinary market conditions are conducted and the probable effects of the scenarios being developed in accordance with the future forecasts and the crisis conditions experienced in the past on the portfolio value of Takasbank are identified and the results obtained thereof are reported to Takasbank Senior Management.

➤ **c) Operational Risk Management**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including the legal risk.

Although Takasbank considers human resources as the most important resource, it adopts it as the basic principle that the operations should be not person-oriented, but system and process oriented.

Keeping software and hardware used at Takasbank readily available along with their alternatives, copying data simultaneously to different environments, keeping communication, energy, human resources and their substitutes readily available, as

well as practices such as business continuity and contingency planning, etc., enable the efficient management of operational risks which may arise from information systems.

At Takasbank, the authorities and responsibilities in critical transactions are segregated from each other. Through the approval – authorization mechanisms, management controls are conducted during the execution of the transactions. Along with these control activities executed by the management levels in a hierarchical structure, the conducted transactions are controlled by the Internal Control and Compliance Team performing the control function under the Board of Directors in accordance with the Internal Control Programme approved by the Audit Committee, and they are also audited periodically by the Internal Audit Team.

The losses arising due to operational risk, reputation risk, strategic risk and the information technologies risks being considered part of the operational risk as well as the legal risk to which Takasbank is exposed are monitored by the “Operational Risk Loss Database”. The process-based risks of Takasbank are also monitored by the “Operational Risk Database”, and the records of the said database constitute the input to the management declaration practices. Within the integrated risk management framework, risks related to the information technologies are also monitored under Takasbank operational risk database. Necessary actions are taken by Takasbank Senior Management by taking Takasbank’s risk appetite into consideration. In addition, the probable risks that may be caused by any interruption which might occur in the operations and their potential effects are also evaluated through the business impact analysis.

Self-assessment practices are conducted with the aim of creating a common operational risk culture among Takasbank personnel, ensuring adoption of risk management activities within the bank, facilitating effective communication between the departments and meeting the revision and update needs of databases which would ensure Takasbank Senior Management to take rapid actions.

Risks that may result from service procurement are evaluated by Takasbank to ensure the continuity of services received from support service institutions. Within this scope, a risk management program was designed and risk analysis reports for the support services received by the Bank were prepared.

The operational risks, to which Takasbank is/may be exposed, are substantially covered by the insurance policies being purchased.

Management of Pillar 2 Risks

Takasbank manages the operational risk by taking into account the limits set forth in all prevailing legal regulations, the risk appetite, the allocated risk limits and the signal values determined pursuant to the early warning system as well as the internal capital requirements.

Operational value at risk is calculated according to the basic indicator approach on an annual basis in accordance with the regulations published by the BRSA, and its results are reported to the BRSA.

Provisions for the guarantee funds and transaction collaterals followed in suspense liability accounts or miscellaneous debts by virtue of Takasbank’s functions are held as liquid value in the assets. Upon overall consideration of the factors such as Takasbank assets, credit quality and concentrations of credit collaterals, its funding structure and the depth of securities markets, it is seen that the probability of Takasbank run for any liquidity distress in fulfilling its liabilities due to maturity mismatch is low.

In performing liquidity planning, Takasbank’s both existing and under-stress liquidity requirements as well as the risk appetite and capacity are assessed together. The liquidity planning is performed with the aim to prevent Takasbank from falling below the statutory ratios to which it is subject to, even under stress conditions.

Takasbank manages the liquidity risk and the interest rate risk resulting from the banking accounts by taking into consideration the limits set forth in all prevailing legal regulations, the risk appetite, the allocated risk limits, the signal value determined pursuant to the early warning system as well as the internal capital requirements.

The breakdowns of the Bank’s asset and liability items on the basis of certain currencies and maturity/repricing periods, its liquidity deficit/surplus, the funds that may be raised in case of a potential crisis and its free equity level are monitored by the Risk Management Team on a regular basis. Furthermore, local and global developments regarding the macroeconomic variables, money and capital markets, banking sector and clearing, settlement and custody issues within the scope of the country risk are also monitored by Takasbank.

For the liquidity risk, term-to-maturity analysis and liquidity gap analysis are conducted; whereas for the interest rate risk resulting from the banking book, duration analysis and repricing gap analysis are performed. Furthermore, monthly and annual stress tests are conducted in order to calculate the loss amount that

Five Year Summary of Financial Data

may be incurred at certain statistical confidence levels by Takasbank due to the liquidity risk and their results are reported to Takasbank Senior Management. Stress tests conducted for the interest rate risk resulting from the banking book and for the central counterparty business risk and repricing provisions are addressed within the scope of Internal Capital Adequacy Assessment Process (ICAAP).

Ratings Assigned by Credit Rating Agencies

Takasbank was not assessed by any credit rating agency.

(THOUSAND TL)					
	2014	2013	2012	2011	2010
TOTAL ASSETS	5,495,623	5,596,026	3,671,623	2,355,782	1,504,735
SHAREHOLDERS' EQUITY	800,244	590,396	331,605	307,516	297,695
PAID-IN CAPITAL	600,000	420,000	60,000	60,000	60,000
OPERATING PROFIT	150,547	101,220	69,936	43,234	34,297
INTEREST AND PORTFOLIO INCOME	179,323	123,670	89,523	46,168	39,265
CENTRAL BANK OF TURKEY'S US DOLLAR BUYING RATES USED IN VALUATION	2.3189	2.1343	1.7826	1.8889	1.5460
(USD THOUSANDS)*					
TOTAL ASSETS	2,369,927	2,621,949	1,247,171	999,359	990,250
SHAREHOLDERS' EQUITY	345,096	276,623	162,802	197,712	185,888
PAID-IN CAPITAL	258,743	196,786	31,765	39,849	39,849
OPERATING PROFIT	64,922	47,425	22,888	22,778	36,700
INTEREST AND PORTFOLIO INCOME	77,331	57,944	24,442	26,078	35,037
FINANCIAL RATIOS (%)					
OPERATING PROFIT/TOTAL ASSETS	2.74	1.81	1.90	1.84	2.28
SHAREHOLDERS' EQUITY /TOTAL ASSETS	14.56	10.55	9.03	13.05	19.78
OPERATING PROFIT/ EQUITY	18.81	17.14	21.09	14.06	11.52
ASSETS GROWTH	-1.79	52.41	55.86	56.56	5.87
NUMBER OF EMPLOYEES	257	238	216	209	211

* Figures in USD were calculated based on the US Dollar buying rates announced by The Central Bank Of Turkey for the last day of the year.

Takasbank - İstanbul Takas ve Saklama Bankası A.Ş.

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